

Catalogue no. 21-004-XIE

February 2003

## Canadian farm families more dependant on off-farm income

By Sylvana Beaulieu and Lina Di Piétro

**In the 1990s, most Canadian families operating a farm became more and more dependant on non-farming income. Even families operating large farms were increasingly relying on off-farm income. In 1999, nearly half of these families' total income came from income earned from non-farming activities.**

**The degree of dependence on off-farm income varied by type of farm operated. The number of families operating very large, lifestyle and pension farms were on the rise between 1990 and 1999.**

The semi-annual print version of *Vista on the Agri-Food Industry and the Farm Community*, catalogue no. 21-004-XPB, consists of the content or a summary of the previous issue/s of the Internet version (Catalogue no. 21-004-XIE).

It contains articles highlighting statistical insights on themes relating to agriculture, food and environmental issues. In addition, there are current indicators of agricultural activity, a list of subject matter contacts and a schedule of upcoming statistical releases.

**Note to readers**

*Total income of farm families is derived from 1999 personal income tax returns of family members. The estimates refer to the income of families involved in a single unincorporated farm, showing a gross operating revenue of \$10,000 and over. Families are defined as husband and wife, legal or common-law, with or without children at home; or lone parent, of any marital status, with at least one child living at home. There is no restriction on the age of the children. Children must report a marital status other than "married" or "living common-law" and have no child living in the household. In 1999, these families operated 150,500 farms, accounting for 76.5% of the total number of unincorporated farms (single operations) reporting a gross revenue of \$10,000 and over.*

*Net farm operating income refers to the profit (or loss) from performance of farm operations based on total operating revenues, including all program payments, less total operating expenses, before deducting depreciation.*

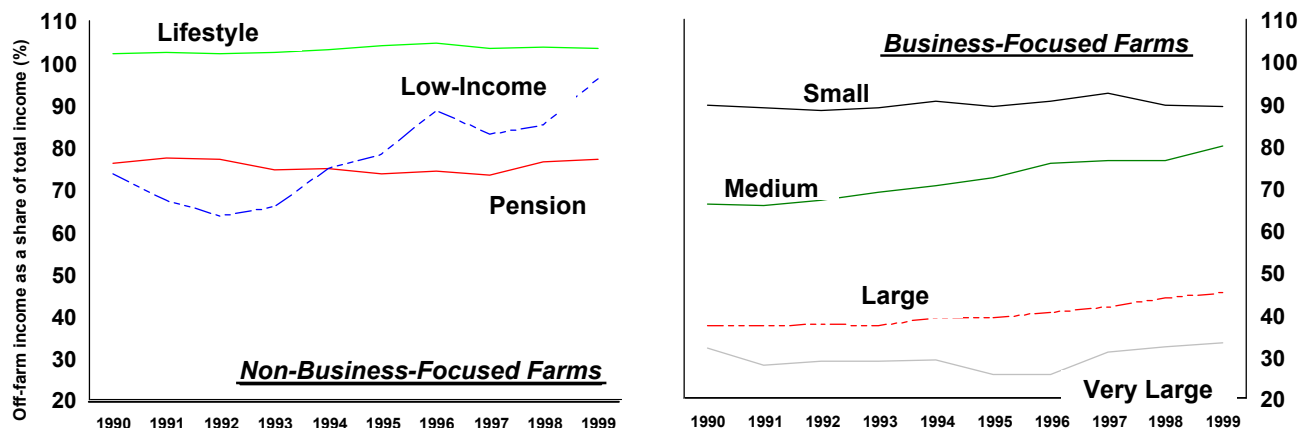
*In 1998, Agriculture and Agri-Food Canada (AAFC) developed a farm typology, which categorizes farms into more homogeneous groups than classification based on size, contribution to total agricultural production, or national net farm operating income. Factors such as age, income, business intentions and revenue class have been used to categorize farm operators and farm families into distinct groups. A description of the farm types is presented at the end of this article.*

**Off-farm income increased for all families farming in the 1990s**

Farm families relied significantly on off-farm income throughout the 1990s. The share of off-farm income in total family income increased from 68% in 1990 to 73% in 1999.

This trend varied by farm type. The share of off-farm income remained relatively stable during this period for lifestyle, pension and small farms. Among families operating business-focused farms, the most significant increase in off-farm income share was reported for medium-size farms, as their share went up 14 percentage points from 1990 to reach 80% in 1999 (Figure 1).

**Figure 1. Families operating large farms may soon get over half of their income from non-farming activities**



Source : Statistics Canada, Whole Farm Data Base.

The second largest increase in off-farm income share was for families operating large business-focused farms. Off-farm income accounted for 45% of their total income in 1999, a gain of 8 percentage points since 1990. If this trend continues over the next decade, these families may earn more income from off-farm sources than from farming activities.

The contribution of off-farm income was stable for families operating small farms. In 1999, off-farm income accounted for 89% of total family income, virtually the same level as in 1990. For very large farms, the importance of off-farm income fluctuated through the 1990s, but its proportion remained the lowest among all types. Off-farm income accounted for 33% of total income of families operating very large farms in 1999.

For non-business-focused farms, the share of off-farm income varied slightly during the 1990s except for low-income farm families. For these families, the importance of off-farm income increased substantially over the last decade to reach 96% in 1999. These families received less revenue from program payments and insurance proceeds during the 1994-99 period.

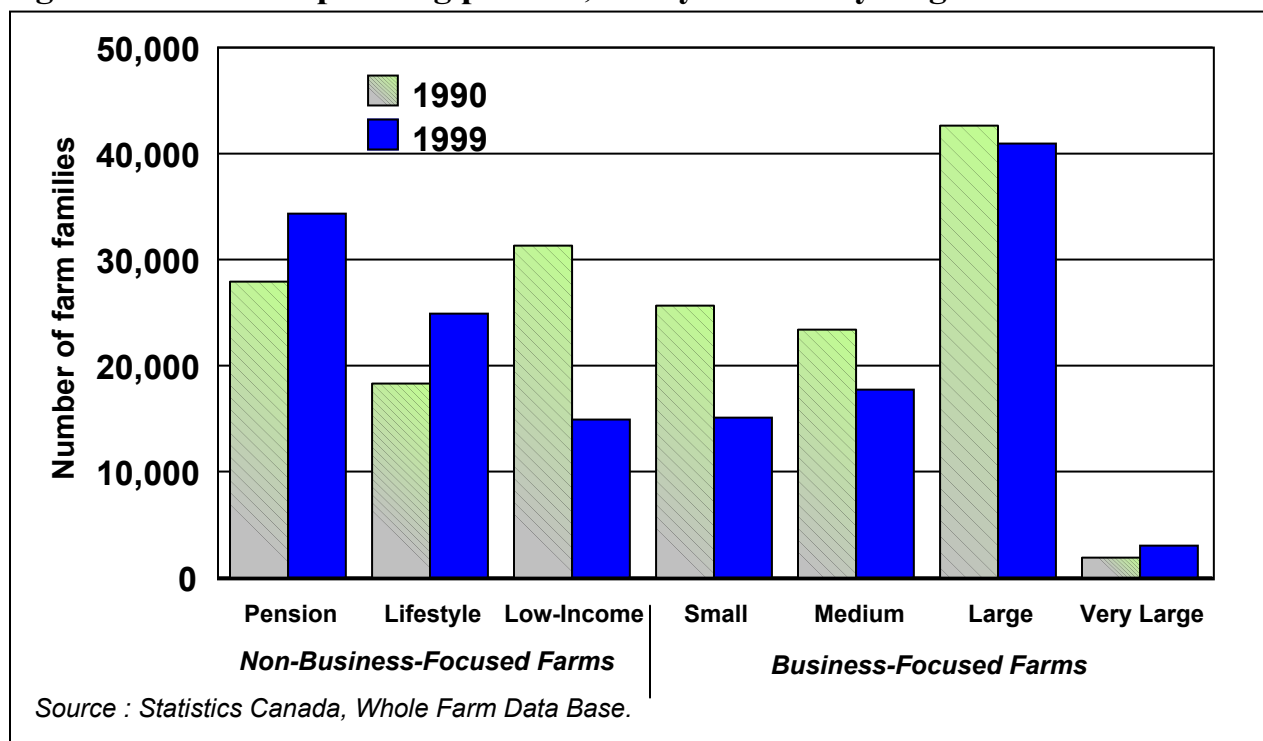
### More very large, lifestyle and pension farms

The importance of farming activities as a source of income may evolve for an individual farm family. Consequently, a farm family may change to a different category over time. The typology class of a farm family may change as farmers move through their life (e.g., expand the farm, retire, or plan to exit or exit the sector) and as conditions in the agricultural sector change. Hence, the number of farm families in a typology group may increase while decreasing in another group. In fact, the number of farm families in some typology groups increased between 1990 and 1999, while the total number of farm families declined by 12%.

The number of farm families operating very large farms, lifestyle farms and pension farms increased during the 1990-99 period. The increase in the number of families with pension farms reflects mainly the aging of farm operators. The substantial decrease in the number of low-income and small-size farm families reflects

in part that these families are under constant pressure to either consider leaving the farming sector or invest to become more viable (Figure 2).

**Figure 2. Families operating pension, lifestyle and very large farms are on the rise**

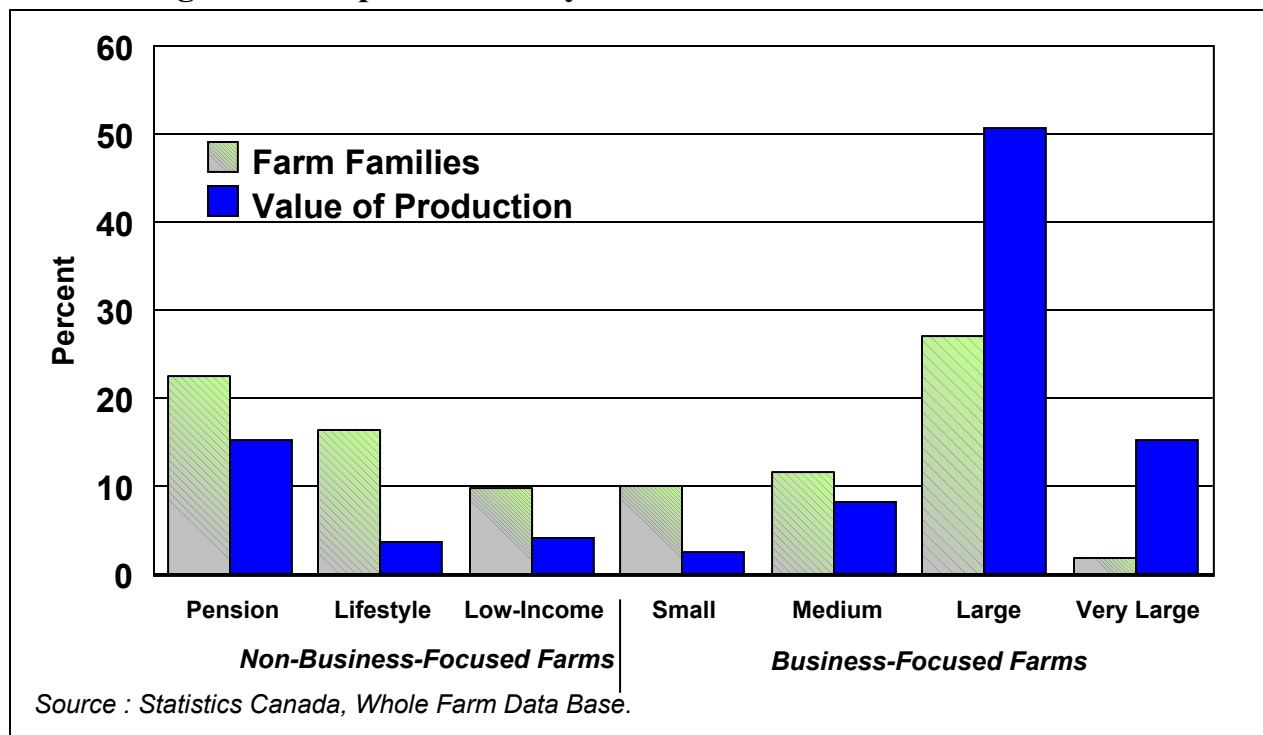


In 1999, there were as many farm families operating business-focused farms than non-business-focused farms. However, families with business-focused farms were responsible for a large part of the agriculture production. In 1999, this group contributed 77% of the value of production<sup>1</sup> by all families operating a single unincorporated farm with revenues equal to or greater than \$10,000.

Families operating large farms represented 27% of the number of farm families, but accounted for 51% of the production. Twenty-three percent of families operated pension farms producing for 15% of the production. Families on very large farms, represented only 2% of farm families, but contributed 15% of the production (Figure 3).

<sup>1</sup> The value of production corresponds to total operating revenues (excluding program payments and insurance proceeds).

**Figure 3. Families operating large and very large farms generated two-thirds of the agricultural production by farm families in 1999**



### Level and Sources of Family Income by Farm Typology Group

On average, the total income (from all sources) of farm families was \$62,222 in 1999. Farm families operating business-focused farms averaged \$66,261 in total income, while non-business-focused farm families earned an average of \$58,035. The level and sources of income varied widely across the farm typology groups.

Among families operating business-focused farms, families on very large farms had an average total income of \$114,866, about twice the income of all farm families. Families operating very large farms received two-thirds of their total income from farming activities, a larger share than any other farm typology groups (Table 1).

**Table 1: Sources of farm families' income, by farm typology group, Canada, 1999**

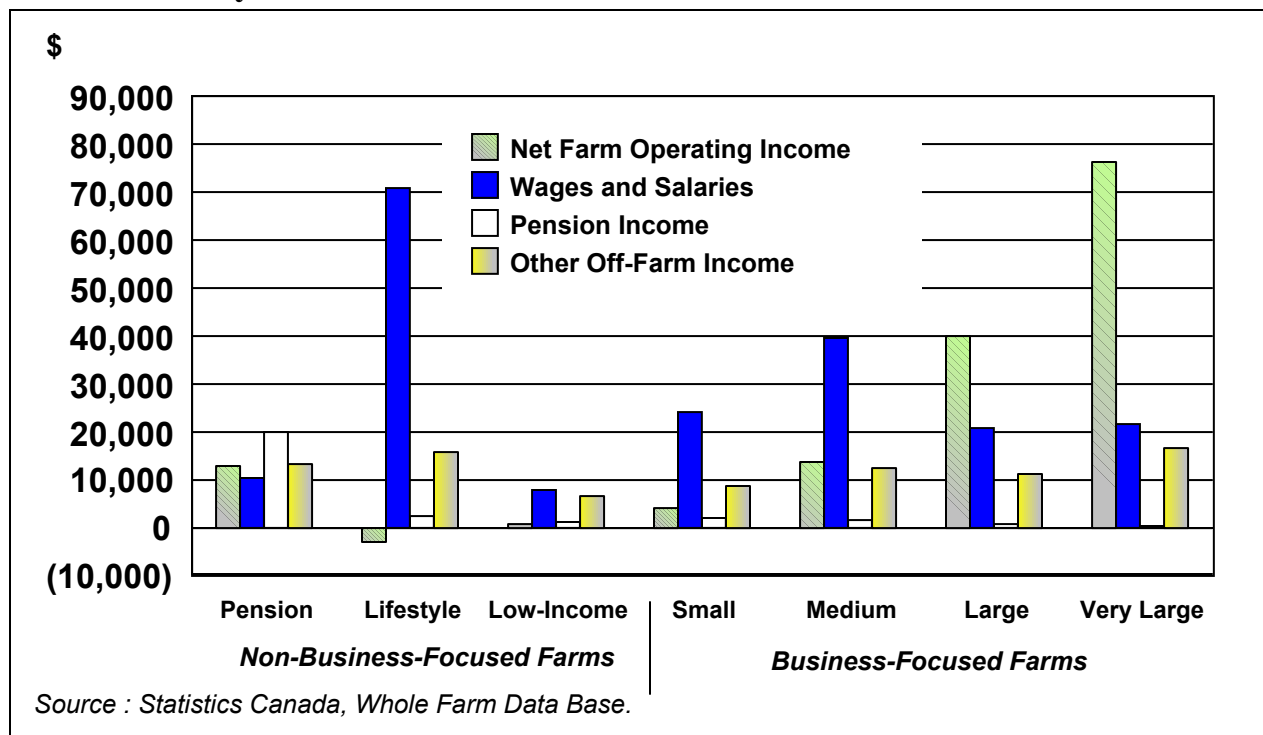
	Business-focused farms				Non-business-focused farms			Total
	Small farms	Medium farms	Large farms	Very large farms	Pension farms	Lifestyle farms	Low-income farms	
	Average (\$)							
Off-farm employment income	26,319	43,035	22,950	24,729	10,991	77,293	9,120	30,556
Wages and salaries	23,981	39,732	20,839	21,606	10,195	70,998	7,679	27,936
Net non-farm self-employment	2,338	3,303	2,111	3,123	796	6,295	1,440	2,619
Investment income	1,947	4,302	3,198	6,598	9,291	5,329	1,461	4,833
Pension income	1,912	1,435	728	400	19,737	2,389	1,037	5,541
Other off-farm income <sup>(1)</sup>	4,305	4,864	5,802	6,640	3,194	4,156	3,729	4,490
<b>Total off-farm income <sup>(2)</sup></b>	<b>34,483</b>	<b>53,636</b>	<b>32,679</b>	<b>38,367</b>	<b>43,213</b>	<b>89,167</b>	<b>15,348</b>	<b>45,419</b>
Net farm operating income <sup>(3)</sup>	4,069	13,520	39,799	76,499	12,831	-3,017	595	16,803
<b>Total farm families' income</b>	<b>38,552</b>	<b>67,156</b>	<b>72,478</b>	<b>114,866</b>	<b>56,044</b>	<b>86,150</b>	<b>15,942</b>	<b>62,222</b>
Off-farm income as a share of total income (%)	89.4	79.9	45.1	33.4	77.1	103.5	96.3	73.0
	%							
Families with positive family income and								
Loss from farming	31.7	20.8	7.8	5.8	25.0	53.4	28.6	25.2
Gain from farming less than 25%	40.8	29.2	9.6	3.9	34.4	44.7	13.9	26.7
Gain from farming between 25% and 49%	19.9	26.5	18.3	9.4	23.3	1.7	15.7	17.4
Gain from farming between 50% and 74%	5.1	14.9	28.4	21.4	12.2	-	15.2	14.7
Gain from farming equal to or more than 75%	1.2	7.0	32.0	50.5	3.5	-	15.1	12.9
Families with negative family income	1.3	1.7	3.9	8.7	1.5	0.2	11.5	3.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<p>(1) Starting in 1999, only RRSP income of people aged 65 or older is included in the statistical series on off-farm family income.</p> <p>(2) Excluding taxable capital gains.</p> <p>(3) Before capital cost allowance.</p>								

Families operating very large, large and medium-size business-focused farms posted an average total income above the national average for all farm families. These families earned, respectively, 33%, 45% and almost 80% of their income from off-farm sources compared to 73% for all farm families. About 72% of families on very large farms earned at least half of their income from farming. In comparison, 60% of families on large farms and 22% of families on medium-size farms earned at least half of their income from farming.

Families on small-size farms earned on average \$38,552 in 1999, of which 89% was from off-farm sources. Families operating small- and medium-size farms received about 60% of their total income from wages and salaries.

Families operating a lifestyle farm reported average losses of \$3,017 in net farm operating income in 1999 and hence, were totally dependant on income from off-farm sources. Nevertheless, these families earned the second highest average total income (\$86,150) among all farm families. Wages and salaries represented 82% of their total income. About 53% of families in this group posted losses from farming, a substantially larger percentage than in any other group. An additional 45% of families in this group received less than one-quarter of their total income from farming (Figure 4).

**Figure 4. In 1999, wages were a large part of the income of families operating lifestyle farms**



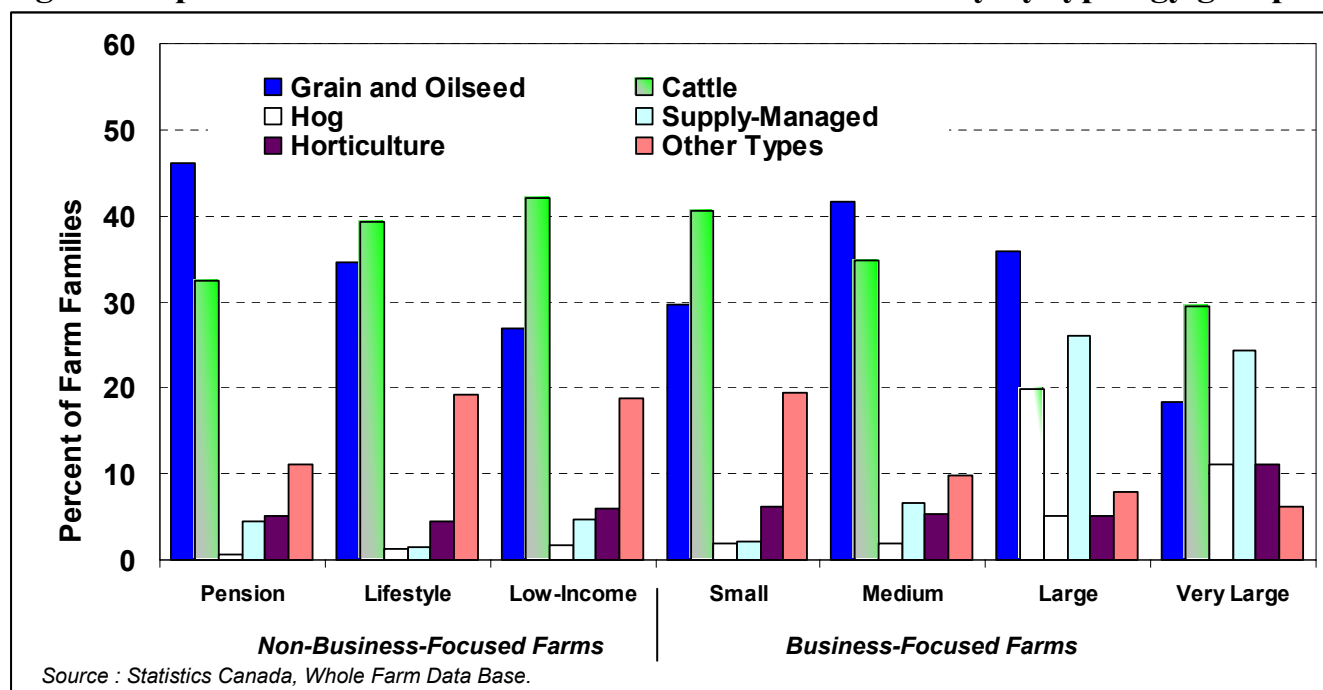
Pension income and investment income were the most important sources of income for families operating pension farms, accounting for slightly over two-thirds of their off-farm income. A small percentage (about 16%) of these families received at least half their total income from farming. Off-farm income accounted for 77% of the group’s total family income.

Families operating low-income farms had the lowest average total income with only \$15,942. These families received almost half (48%) of their total income from wages and salaries.

### Specialization

A large percentage of farm families in Canada are specialized<sup>2</sup> in cattle production or grain and oilseed production, regardless of the farm typology group. As shown in Figure 5, in 1999, over two-thirds of farm families within five groups — pension, medium, lifestyle, small and low-income farms— were specialized in either of these two types of production. Most of the remaining families in these five groups were specialized in the “other types of production” category such as other animal specialties, forage crops, other horticultural products, and livestock combination.

<sup>2</sup> A farm is considered specialized in one commodity group when 51% or more of its agricultural sales are derived from that commodity or commodity group. The degree of specialization increases with the percentage of sales derived from one particular commodity or commodity group.

**Figure 5. Specialization in different commodities varies widely by typology group**

In 1999, 36% of families operating large farms were specialized in grain and oilseed production. In comparison, 26% were specialized in supply-managed commodities (dairy, or poultry and egg production), and 20% of the families were specialized in cattle production.

Of families operating very large farms, 29% were specialized in cattle production, 24% were in supply-managed commodities, 18% were in grains and oilseeds.

Seventy-four percent of families in the supply-managed sectors and 64% of families in the hog sector were operating large and very large business-focused farms. In contrast, 27% of families specialized in grain and oilseed production and 19% of families specialized in cattle production were operating large and very large farms.

### Farm Typology Groups

The Agriculture and Agri-Food Canada (AAFC) typology<sup>3</sup> classifies farms into more homogeneous groups based on five factors:

- age (retirement farms)
- dependence on off-farm income (lifestyle farms)
- total family income (low-income farms)
- revenue class
- organizational structure (non-family farms)

<sup>3</sup> Discussion of the AAFC farm typology can be found in the brochure *Characteristics of Canada's Diverse Farm Sector*, January 2002. This brochure presents the differences among farm typology groups using data from the 2000 Farm Financial Survey.



Farms and farm families were sorted into seven categories based on age of operator, dependence on farm revenues and income level. The following describes in detail the characteristics of each type.

### ***Non-Business-Focused Farms***

**Pension** (family) farms are farms in which the oldest operator is 65 years of age and older or is aged 60 to 64 and receiving pension income. This group represents farmers, approaching or in retirement, who may be downsizing or will be in the process of selling off or transferring the farm to their children in the next few years. It is expected that these farmers would not readily adopt new technology at this stage in their life cycle. Therefore, by identifying these farmers, it would be easier to determine the impact of a policy encouraging the adoption of new technology on other types of farms.

**Lifestyle** (family) farms are farms that are not operated by full-time farmers. They are defined as farms with gross farm revenues between \$10,000 and \$49,999 that are operated by families with off-farm income equal to or greater than \$50,000, and that do not fall into the pension category. Generally, these families rely almost exclusively on off-farm employment for their main source of income, and operate a farm for reasons of “lifestyle” choice or perhaps tax purposes. These farms do not report significant net farm operating income.

**Low-income** (family) farms are farms with gross farm revenues between \$10,000 and \$99,999 that are operated by families with a total family income<sup>4</sup> below the low-income cutoff<sup>5</sup>. They do not fall into either the pension or lifestyle categories. This group represents farms or farm families that are struggling financially. Similar to the previous group, these families rely almost exclusively on off-farm employment for their main source of income. These farms are unable to reach economies of size or scale, resulting in low or negative margins.

### ***Business-Focused Farms***

**Small and medium** (family) farms are viable small- to medium-size farms that may expand over time. Small farms are those with gross farm revenues between \$10,000 and \$49,999 and medium farms with gross farm revenues between \$50,000 and \$99,999. These two categories do not fall into any of the previous categories. Due to the small size of their operations, these families rely heavily on off-farm income; however, these farms tend to have higher operating margins than other farms in their size category.

**Large** (family) farms are defined as farms with gross farm revenues between \$100,000 and \$499,999 that do not fall into the pension category. Farm families operating these farms generally receive more than 50% of their total family income from the farm.

**Very large** (family) farms are those with gross farm revenues of \$500,000 or more that do not fall into the pension category.

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<sup>4</sup> Total family income is the sum of net farm operating income as reported for tax purposes (i.e., taking into account inventory adjustments, capital cost allowance, etc.) and off-farm income.

<sup>5</sup> Statistics Canada defines the low-income group based on the low-income cutoff for a family of four living in rural Canada. In 1999, this value was \$23,260.

## Scheduled Releases of Agricultural Information

### September 1, 2002 through February 28, 2003

#### Field Crops

- September 10 - Stocks of Canadian grain at July 31, 2002 (Catalogue no. 22-002-XPB/XIB)
- October 4 - September estimates of production of principal field crops by province for 2002 (Catalogue no. 22-002-XPB/XIB)
- December 5 - November estimates of production of principal field crops by province for 2002 (Catalogue no. 22-002-XPB/XIB)
- January 31 - Stocks of Canadian grain at December 31, 2002 (Catalogue no. 22-002-XPB/XIB)

#### Grain Markets

- September 26 - Cereals and Oilseeds Review, monthly (Catalogue no. 22-007-XPB/XIB)
- October 28
- November 27
- December 20
- January 27
- February 28

#### Horticulture Crops

- November 22 - Area, yield and production of potatoes by province for 2002 (Catalogue no. 22-008-UIB)
- January 17
- February 14 - Area, production and value of fruit and vegetable crops by province for 2002 (Catalogue no. 22-003-XIB)
- November 15 - Production and value of honey and maple products by province for 2001 (Catalogue no. 23-221-XIB)

#### Food Consumption

- October 17 - Supply, disposition and per capita disappearance of oils, fats, fruits, vegetables, potatoes and fish for 2001 (Catalogue no. 32-230-XIB)

#### Livestock and Animal Products

- November 13 - Farm sales of milk for fluid and manufacturing purposes, production and stocks of
- February 12 - creamery butter, cheddar cheese and other dairy products by province, quarterly (Catalogue no. 23-001-XIB)
- October 23 - Inventories of pigs by province on October 1 (Catalogue no. 23-603-XIE)
- February 19 - Inventories of pigs, cattle and sheep by province on January 1 (Catalogue no. 23-603-XIE)
- October 23 - Wool sales and value for 2002 (Catalogue no. 23-603-XIE)

## Scheduled Releases of Agricultural Information

September 1, 2002 through February 28, 2003

### Livestock and Animal Products

September 26 - Stocks of frozen meat products in Canada by type of meat product and by province, monthly (Catalogue no. 23-009-XIE)

October 31  
November 28  
December 23  
January 30  
February 27

### Poultry

September 19 - Stocks of frozen poultry meat by province, monthly (Catalogue no. 23-009-XIE)

October 21  
November 21  
December 18  
January 22

September 6 - Egg production and number of laying hens by province, monthly (Catalogue no. 23-003-XIB)

October 8  
November 8  
December 6  
January 8  
February 7

### Farm Income and Prices

November 26 - Farm cash receipts by province, quarterly (Catalogue no. 21-001-XIB)

February 25

November 26 - Estimates of ten agricultural economic indicators for 2001: farm income, farm cash receipts, farm operating expenses and depreciation charges, the index of farm production, current values of farm capital, farm debt outstanding, the farm product price index, direct program payments, the agriculture production account and balance sheets (Catalogue no. 21-603-UPE)

September 24 - Farm Product Price Index, monthly (Catalogue no. 21-007-XIB)

October 22  
November 22  
December 23  
January 22  
February 21

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## **Vista on the Agri-Food Industry and Farm Community**

ISSN 1481-899X

Editor : Martin S. Beaulieu

**VISTA** is a semi-annual newsletter published by the Agriculture Division of Statistics Canada and distributed to users of agriculture, food and rural statistics. Subscriptions are available by mail or FAX from:

Editor - Vista  
Agriculture Division  
Statistics Canada  
12th floor, Jean Talon Building  
Ottawa, Ontario  
K1A 0T6

FAX: (613) 951-3868

**VISTA** is also available on the Internet without charge at <http://www.statcan.ca/english/freepub/21-004-XIE/free.htm>.

Editorial committee: Lucie Bourque, Robert Koroluk, Les Macartney, Margaret Zafiriou, Mike Trant and Tom Vradenburg

Special thanks to: John Flanders and Josée Bourdeau.

Published by authority of the Minister responsible for Statistics Canada.

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Canada owes the success of its statistical system to a long-standing co-operation between Statistics Canada, the citizens of Canada, its businesses and governments. Accurate and timely statistical information could not be produced without their continued co-operation and goodwill.

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