

Farm sector equity up in 2008

Thursday, 25 June 2009

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Equity in Canada's farm sector increased 4.9% to \$264.5 billion from 2007 to 2008 as a gain in assets more than offset a rise in liabilities.

Equity rose in every province, with increases ranging from 0.4% in Newfoundland and Labrador to 8.5% in Saskatchewan.

The value of farm assets increased 5.0% to \$317.7 billion, while the level of farm liabilities reached \$53.2 billion, up 5.3%. Both assets and liabilities increased in every province. The main contributor to the growth in assets was the value of farm real estate, which rose 5.6% to \$213.2 billion. This increase accounted for three-quarters of the growth in total farm assets in 2008, while the growth in the value of crop inventories accounted for the bulk of the remainder. Either of these two factors were more than enough to offset the decline in the value of poultry and market livestock inventories.

Current liabilities increased 7.0%, while long-term liabilities were up 4.8%.

The debt-to-asset ratio was 16.7% in 2008, unchanged from 2007. This ratio, which measures the dependence of farm business on debt, was at its lowest level in 9 years.

The ratio of current assets to current liabilities rose from 2.24 in 2007 to 2.32 in 2008, its highest level since 2002. This suggests an improvement in the ability of agricultural operators to pay short-term debts.

The interest coverage ratio reached a record high of 3.77 in 2008 after falling below 2.00 in 2006 and 2007. This indicates an improvement in the ability of agricultural operators to cover interest charges with the net income they generate before interest and taxes. Interest expenses declined 3.9% in 2008.

Return on equity advanced to 3.0% in 2008, the highest it has been since 1996.

SOURCE: Statistics Canada