Agricultural Review 2013
and Outlook 2014

for

Credit Union Central

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Revised February 2014
Economy: Recovery continued in the United States in 2013, but many eurozone countries were still struggling. Canada’s rise in real GDP was close to 1.7% in 2013.

Crops: Strong crop prices for the first half of 2013 were sharply reversed in July with record U.S. corn and world wheat production prospects.

Inputs: Due to higher prices since May, oil prices averaged $102/barrel in 2013, up from $95/barrel in 2012. Fertilizer costs dropped in 2013 due to lower nitrogen and phosphate prices. Natural gas prices remained significantly depressed.

Livestock: American beef production was at a 21 year low causing prices for slaughter cattle to increase. U.S. finished cattle prices in 2013 were at record levels. Feeder cattle and calf prices rose in July with lower corn prices, which have also driven up hog prices since then.

Exchange: From parity with the US$ in 2012, the C$ was discounted by an average of almost 3% in 2013. The weaker C$ had a positive impact on agricultural product prices, but raised the cost of imported farm inputs.
NO. 2 YELLOW CORN: MONTHLY AVERAGE CASH PRICE
CHICAGO, 2005-2013

U.S. corn prices 20-year high in June 2008

August 10, 2012 record of $8.49/bu

New high April 2011

Prices start to fall in July 2013

Low crop price era:
Policy driven, decades long
$2.00/bu corn

High crop price era:
Ethanol driven
$6.00+/bu corn

Is this the start of a MID PRICE ERA of $4.00+/bu corn?

Data source: USDA ERS
**AVERAGE WHEAT AND CORN FARM PRICES**
**MANITOBA AND UNITED STATES, 2001-2014E**

*Impact of C$ exchange rate on corn prices*

- **Low C$ era:**
  - Note that $2/bu corn in U.S. is $3/bu corn in Canada due solely to the exchange rate. Same boost for all grain and livestock prices.

- **The $$ parity era.** US$5/bu corn is C$5/bu corn!!

Data source: MAFRI, USDA, author’s estimates
The $20/barrel era of the 80s and 90s moved to a $100/barrel era currently.
• **Crops:**
  – Late planting, but sufficient moisture levels in spring and early summer meant good yields for earlier-seeded crops. Hot and dry conditions later in the summer helped to produce what was a record crop.
  – World crop prices fell in mid 2013, decreasing average Manitoba crop prices.
  – A large crop in 2012 meant increased crop sales for the first seven months of 2013 and excellent crops in 2013 improved sales for the rest of the year.
  – Crop cash receipts may have gone up by 21% in 2013.

• **Cattle and pigs:**
  – Average Grade A cattle prices were record high in 2013, up by 2.7% from 2012. Feeder cattle and calf prices rose in July when feed costs dropped.
  – With lower feed costs, hog prices rose above year-earlier levels from July on. Sow herd reduction/liquidation appears to have stopped.
  – Farm cash receipts from livestock rose by 2-3% in 2013 from the previous record in 2012.

• **Farm Inputs and Income:**
  – Manitoba producers used normal amounts of fertilizer as planted acres were at normal levels in 2013. Average machinery fuel prices rose by 6-7% in 2013.
  – Cash and realized net income increased significantly to record levels in 2013.
FARM ENERGY AND CHEMICAL EXPENSES
MANITOBA, 1981-2013E

(Price x quantity used)

Data source: Statistics Canada, author’s estimate
LAND PRICES IN MANITOBA AND CANADA
1960 - 2013E

Data source: Statistics Canada
CROPS
U.S. corn production and the world wheat crop reached record levels in 2013

The 2013 American corn crop was 29% larger than the drought-affected 2012 crop.

Corn ending stocks for 2013/14 were the highest since 2009/10.

Corn prices started to fall in July 2013 leading to lower prices for other crops.
U.S. Corn Prices 2013

• With anticipation of a “normal” corn crop of about 13.5 (actually 13.93) billion bushels on 95 (actually 95.4 seeded with record 87.7 harvested) million acres, the cash and nearby futures prices in spring 2013 fell from earlier highs to about $5.50/bushel.

• In July 2013, with a record corn crop expected, nearby and new crop futures prices fell to below US$5/bushel. At the end of 2013, corn futures were below the US$5/bushel level for the next two years.

• The average corn price (farm) in 2012/13 was US$6.89/bu, but the average for 2013/14 is likely to be in the US$4.10-4.70/ bushel range.
A late, wet spring meant Manitoba farmers had to alter some crop planting intentions as seeding was delayed for 2 to 3 weeks, but once begun, seeding proceeded quickly. The area left for summer fallow rose to 0.4 million acres from 0.15 million acres in 2012, mainly due to excess moisture in the southwest. Cool, wet weather in late July and early August helped canola flowering and grain kernel development, but the hot weather later in summer was needed for corn, soybeans, sunflowers and beans. A record crop!

**Crop yields – above average yields and average quality:**

- **Wheat** yielded 57.7 bu/acre, down from 48.9 bu/acre in 2012
- **Barley** yielded 77.1 bu/acre, up from 56.2 bu/acre in 2012
- **Oat** yields averaged 97.0 bu/acre, up from 82.1 bu/acre in 2012
- Yields for **canola** averaged 41.0 bu/acre, up from 26.1 bu/acre in 2012
- **Flaxseed** yields averaged 25.8 bu/acre, up from 17.3 bu/acre in 2012
- Average yields for **corn** 128.0 bu/acre (110.7 bu/acre in 2012), **soybeans** 37.6 bu/acre (34.9 bu/acre in 2012), **sunflowers** 1,465 lb/acre (1,955 lb/acre in 2012), **rye** 43.1 bu/acre (51.6 bu/acre in 2012)

*Source: Statistics Canada November 2013 estimates*
MANITOBA SEEDED AREA
MAJOR GRAINS AND OILSEEDS, 2001 - 2013

Wheat, Oats, Barley, Flaxseed, Canola, Soybeans

Data source: Statistics Canada November estimates, September 2013 estimates for 2013
Record grains and oilseeds production in 2013, up 30% from 2012

Data source: Statistics Canada: November estimates
U.S. Crop Prices 2013/14

- **Corn**: Record crop of 13.93 billion bushels in 2013, up by 29% from 2012 crop. Food, alcohol and industrial use up by 6%, feed use up 22% and a 99% rise in 2013/14 carry-over from 2012/13, which was the lowest since 1993/94. Farm corn price may average US$4.10-4.70/bu in 2013/14, down from the record US$6.89/bu in 2012/13 and US$6.22/bu in 2011/12. If corn yields are average or better in 2014, corn prices could be at the lower end of the projected price.


- **All Barley**: Slightly smaller crop (-2%) in 2013, but 5% increase in supplies. Average farm price of US$5.75-6.25/bushel in 2013/14, down from US$6.43/bushel in 2012/13, but up from $5.35/bu in 2011/12.

- **Oats**: 2013 crop rose by 3% from 2012 level, carry-over down by 8%. Average farm price of US$3.45-3.75/bushel in 2013/14 compared to US$3.89/bushel in 2012/13.


*Source: USDA ERS weighted farm price projections (January 16, 2014)*
CORN AREA, PRODUCTION AND AVERAGE PRICE
UNITED STATES, 2001 - 2014

Data source: USDA ERS
**Canadian Crop Prices 2013/14**

**Non-Durum Wheat:** 37% rise in production in 2013 to new record. Larger world supply and increased use. Lower U.S. price. Average Canadian price may be $200-230/tonne in 2013/14 compared to $285/tonne in 2012/13 and $290/tonne in 2011/12, well below the record $369/tonne in 2007/08.

**Barley:** Production up 28% in 2013 from its low level in 2012, but slightly higher feed use. Average barley price could be $180-210/tonne in 2013/14, down from $279/tonne in 2012/13 and $225/tonne in 2011/12.

**Oats:** A 38% larger crop in 2013. Larger U.S crop. Average price could be $220-250/tonne in 2013/14, compared to $263/tonne in 2012/13, $227/tonne in 2011/12, $167/tonne in 2008/09.

**Corn:** Production rose by 9% to new record. Record U.S crop. Average price is forecast at $165-195/tonne in 2013/14, a drop from $257/tonne in 2012/13 and $250/tonne in 2011/12, but above $144/tonne in 2009/10.

**Canola:** 29% rise production from 2012 to new record in 2013, slight increase in world supplies. Average canola price may fall to $490-530/tonne in 2013/14 from the record $650/tonne in 2012/13 and $601/tonne in 2011/12, but up from $426/tonne in 2009/10.

**Flaxseed:** 2013 crop rose by 46%, lower world prices for oils. Average price could be $510-550/tonne in 2013/14 compared to $580/tonne in 2012/13, $525/tonne in 2011/12 and $611/tonne in 2007/08.

**Soybeans:** 2013 crop up 2% from 2012 to a new record. Record world supply, but strong demand. Average price could be $470-510/tonne in 2013/14 compared to $532/tonne in 2012/13 and $478/tonne in 2011/12.

Source: AAFC – January 20, 2014
Directly and indirectly, the pig/pork industry in Manitoba generates over $1 billion of economic benefit and more than 13,000 jobs in the province.

It should not be forgotten that the pig industry provides an important market for Manitoba barley, feed wheat, corn, canola meal, dry peas and soy meal, especially in times when crop prices are low.
Hog prices were below 2012 levels until May, but rose for the rest of the year. For 2013 as a whole, average hog prices in Manitoba were 5% higher than in 2012.

Feed prices remained high until July 2013. High feed costs for over a year meant many pig producers continued to suffer financially, but margins improved for the second half of 2013 due to higher pig prices and lower feed costs.

Weanling pig prices rose in 2013 due to increased demand. For the first half of the year, average spot prices in 2013 were double those in 2012. Lower costs for feed made finishing pigs more profitable.

Improved profitability led to stabilization of the Manitoba sow herd with a 0.4% rise in sow numbers from mid 2012 to mid 2013. There were only 570 pig farms in Manitoba on July 1, 2013, less than one third of the farms in 2001. The average farm size is 5,200 pigs per farm.
The price trend line shows a slight decline over thirty years. (Improving production efficiency offset lower prices in constant dollars)

Datasource: Manitoba plants, MAFRI, AAFC
The sow herd increased by 0.4% from July 1, 2012 to July 1, 2013.
The number of hogs killed in Manitoba slaughter plants in 2013 was 5.43 million hogs, 2.5% below the 2012 level. Manitoba-origin hog slaughter in Canada was 4.35 million head, down slightly from 2012.

There were not enough feeding barns to finish the almost 8 million pigs produced in Manitoba in 2013 and not enough slaughter capacity to kill them so it was necessary to export pigs to the U.S. and finish Manitoba weanlings in Saskatchewan.

Mainly due to mCOOL, weaker demand for hogs and weanlings in the U.S. helped reduce 2013 Manitoba pig exports by 14-15% below the 2012 level of 3.6 million head. About 42% of Manitoba pig production was exported as live animals.

Manitoba pig production declined in 2013. The sale of fewer pigs during the year was offset by higher average prices to raise farm cash receipts for pigs in 2013.
WTO and COOL update

• Mandatory Country of Origin Labelling (COOL) was introduced in the U.S. on September 30, 2008, taking full effect on March 16, 2009. Canada filed a complaint with the World Trade Organisation (WTO), arguing that mandatory COOL was an illegal, non-tariff trade barrier which gave U.S. products unfair advantage over products from Canada and other countries.
• In late May 2011, a WTO panel issued a preliminary ruling, charging that mandatory COOL violates WTO trade standards and stated that COOL requirements do not meet the U.S. objective that the labelling law informs and helps U.S. consumers make purchasing decisions regarding the origin of meat, produce and other products covered by COOL.
• In response to an appeal by the U.S. government, the WTO decision on June 29, 2012 agreed with findings in favour of the Canadian livestock industry, farm families and North American economies that COOL is discriminatory.
• After an appeal by the U.S., it was determined on December 4, 2012 that a ‘reasonable period of time’ for the U.S. to implement the recommendations and rulings of the WTO was 10 months from the date of adoption of the Panel and Appellate Body reports, that is until May 23, 2013.

On that date, the United States came out with even more complicated meat labelling rules, which Canada (and the American Meat Institute!) are challenging.
MANITOBA PIG SALES BY TYPE
2000 - 2013

Data source: Statistics Canada, AAFC
### Manitoba Farrow to Finish Operation

<table>
<thead>
<tr>
<th>Year</th>
<th>Break-even price $/100 kg</th>
<th>Average Sl. Price $/100 kg</th>
<th>Gain/Loss $/100 kg</th>
</tr>
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<tbody>
<tr>
<td>2013</td>
<td>181</td>
<td>178</td>
<td>-3</td>
</tr>
<tr>
<td>2012</td>
<td>190</td>
<td>170</td>
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<td>2011</td>
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<td>151</td>
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<tr>
<td>2009</td>
<td>161</td>
<td>132</td>
<td>-29</td>
</tr>
<tr>
<td>2008</td>
<td>165</td>
<td>139</td>
<td>-26</td>
</tr>
</tbody>
</table>

*Source: MAFRI estimates for total break-even cost per 100 kg of hog carcass sold, all-in prices*

### Manitoba Farrow to 6-kg Weanling Operation

<table>
<thead>
<tr>
<th>Year</th>
<th>Break-even price $/pig</th>
<th>Average Price $/pig</th>
<th>Gain/Loss $/pig</th>
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<td>2013P</td>
<td>45</td>
<td>40</td>
<td>-5</td>
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<td>2012</td>
<td>47</td>
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<tr>
<td>2011</td>
<td>46</td>
<td>36</td>
<td>-10</td>
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<tr>
<td>2010</td>
<td>45</td>
<td>39</td>
<td>-6</td>
</tr>
<tr>
<td>2009</td>
<td>46</td>
<td>30</td>
<td>-16</td>
</tr>
<tr>
<td>2008</td>
<td>46</td>
<td>30</td>
<td>-16</td>
</tr>
</tbody>
</table>

*Source: MAFRI estimates for total break-even cost per 6 kg weanling pig*
Slaughter Hog Prices 2013-2014

**U.S. National hog price:**
- Average 2013 price increase: +5%
- 2013 U.S. pork production down 0.2%, net pork exports down 11%:
  - Average 2013 USDA price (MB carcass equiv.): C$182/100kg
  - *Average 2014 USDA price change estimate*: 0 to -6%  

**Manitoba hog price:**
- Average first half 2013 price decrease: -1%
- Third quarter 2013 price increase: +12%
- Fourth quarter 2013 price increase: +9%
- Annual 2013 price increase: +5%
- Average 2013 Index 100 price: $163/100kg
- Average 2013 all-in carcass price: $178/100kg
- *Average 2014 Index 100 price estimate*: $156-166/100kg

*(2013 and 2014 average prices will exceed the 10-year average Index 100 price of $144/100kg, but may still be below total break-even prices)*
MANITOBA AND U.S. HOG PRICE DIFFERENCE
2000 - 2013

Source: USDA, MAFRI, author's estimates

- COOL impacts MB, not US
- H1N1 impacts MB and US
- Weak C$
- Strong C$
Issues for Pig Producers in 2014

• Manitoba hog price may change by -4% to +2% in 2014 as U.S. raises production slightly? Canadian dollar and COOL will affect local prices.

• Feed costs will remain relatively low for at least the first half of 2014.

• The farm financial situation is expected to improve going into 2014. The sow herd is likely to increase in 2014. More weanlings fed to slaughter weight will raise farm cash receipts and the demand for feed.

• Manitoba’s total slaughter may go up in 2014. About one-fifth of hogs killed in Manitoba are from other provinces, some of which are Manitoba pigs finished in Saskatchewan.

• Need for total compliance with strict environmental regulations, changes to sow housing will mean extra extra costs.

• Will the deadly virus (PEDV) affecting pigs in 23 states, on one farm in Ontario and found at a plant in Quebec reach Manitoba barns?
Future of Manitoba Pork Production

• Manitoba does not have to rely on the competitive U.S. market to sell a large proportion of its pork production.

• There is global demand for premium pork, subjected to special cuts/processing, from pigs:
  - produced with no antibiotics,
  - humanely raised,
  - produced organically

• It will be easier for the Manitoba industry to supply pork for these specialized markets because of superior management, large producers and new efficient production and processing facilities.

• The pig producers share of the “consumer pork dollar” has remained static while pork prices have risen. Will premiums from specialized markets be passed on to the producer?
CATTLE
Despite mandatory Country-of-Origin Labelling (mCOOL), the United States is still Canada’s largest customer for cattle and beef. The U.S. cattle market directly affects cattle prices in Canada and Manitoba.

Although the cow herd has declined from 2006 to 2013, Manitoba still has the third-largest beef cow herd in Canada. Mainly a “cow-calf” province, only about one quarter to one third of the calves produced annually are fed to slaughter-weight in Manitoba, though a large number of calves are “back-grounded” and sold as yearlings (700-800 lb) or “short-keeps” (800+ lb) each year.
There is very limited cattle slaughter capacity in Manitoba with slightly over 9,000 head being killed in provincially-inspected plants in 2013 (compared to 581,000 head in all Manitoba plants in 1976! There were still no federally-inspected plants killing cattle in 2013) so almost all of the finished and cull cattle had to be shipped out of the province for slaughter.

The supply of and demand for cattle and beef in the U.S. and Alberta, the distance to packing plants and packer requirements affect the profitability and marketing of Manitoba finished cattle.
The U.S. cattle herd is at a 63 year low. Herd liquidations in the United States in 2012 and a smaller cow herd and more heifers going into the breeding herd in 2013 led to a drop of 0.8% in U.S. beef production in 2013. *Finished cattle* prices in the United States were above 2012 prices for almost all of 2013 due to reduced beef supplies. Manitoba prices were below 2012 prices for the first half of 2013, but rose above 2012 for the rest of the year in response to the stronger American market.

Feed prices remained high until July 2013, when it appeared that a record corn crop could be expected in the U.S. This led to *feeder cattle and calf* prices moving from below 2012 prices to above 2012 prices as cattle feeding was less costly for the rest of 2013.
GREAT PLAINS FEEDLOT ESTIMATED RETURNS
BY MONTH, 1997-2014

Cattle feedlot losses ceased in October 2013

Data source: USDA
The cattle cycle is usually 10-14 years.

- 2005 peak at 1.735 million (BSE)
- 1975 peak at 1.46 million
- 1965 peak at 1.18 million
- 1997 peak at 1.45 million

July 2013 level of 1.23 million head, down by 2% from 2012 and by 29% from 2005 record.
• Flooded hay and pasture fields in some cow-calf areas during 2009-2013, drought in other areas in 2012 and financial difficulties meant beef cow herd reduction continued during 2010-13 despite assistance programs.

• There were about 85 (1.1%) fewer cattle farms in July 2013 than in July 2012.

• At about 443,700 head, the July 1, 2013 beef cow herd was the smallest since 1993 and down by over 5% from July 1, 2012.

• D1,2 cull cow prices fell by an average of 3% for the first six months of 2013, but were above 2012 levels for the rest of the year to reach a record average price in 2013, 4% above 2012.

• Cow beef is used for processed beef and ground beef; the former is not affected by mCOOL, but retail ground beef is.
SEASONAL D1,2 COW PRICES

Datasource: Canfax

Pre-BSE and lower C$
2009 - 2010 prices barely affected by COOL

Strong demand for less beef

BSE
Finished Cattle Prices 2013, 2014

- Reduced beef production and increased demand for beef raised the average U.S. finished steer price by 2.5% to a new record level in 2013.
- The average Manitoba Grade A steer price also reached a record high in 2013, 2.7% higher than the 2012 level.
- Manitoba Grade A cattle prices could rise again by 2-10% in 2014, depending on the demand for beef.
- Manitoba finished cattle prices continue to be discounted at U.S. (av. $21/cwt) and Alberta ($12-16/cwt) plants, partly due to COOL, distance to plant and relatively heavy carcass weights.

Datasource: Canfax
Feeder Cattle Prices 2013, 2014

- Average U.S. feeder steer prices were up by 9.8%, steer calf prices rose by 2.3% in 2013, all record-high.
- Manitoba feeder cattle prices averaged 0-3% lower in 2013, depending on animal weight with prices for the heaviest animals declining the least.
- Local yearling prices could go up by 10-16% in 2014 as demand for feeders improves.
- Manitoba calf prices in 2013 averaged 13% below 2012 prices for the first seven months of the year. Although prices were higher for the rest of the year, the average calf price was 6% lower than in 2012 for 2013 as a whole.
- Calf prices could be higher than 2013 for most of 2014.
SEASONAL STEER CALF (5-600LB) PRICES

Datasource: Canfax
## Manitoba Grade A Steer Prices, 2009-2014E

<table>
<thead>
<tr>
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<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014E</th>
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<tbody>
<tr>
<td>First Quarter</td>
<td>75.17</td>
<td>94.05</td>
<td>105.48</td>
<td>102.36</td>
<td>108-113</td>
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<tr>
<td>Second Quarter</td>
<td>82.61</td>
<td>95.08</td>
<td>102.68</td>
<td>102.33</td>
<td>104-114</td>
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<tr>
<td>Third Quarter</td>
<td>82.89</td>
<td>93.92</td>
<td>101.13</td>
<td>107.61</td>
<td>108-118</td>
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<tr>
<td>Fourth Quarter</td>
<td>84.87</td>
<td>100.60</td>
<td>100.19</td>
<td>108.25</td>
<td>108-118</td>
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<tr>
<td>Annual Average</td>
<td>81.40</td>
<td>95.90</td>
<td>102.40</td>
<td>105.10</td>
<td>107-116</td>
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## Manitoba Steer Calf (500-600lb) Prices, 2010-2014E

<table>
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<th>2014E</th>
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<tbody>
<tr>
<td>First Quarter</td>
<td>109.62</td>
<td>145.41</td>
<td>171.32</td>
<td>148.06</td>
<td>160-170</td>
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<tr>
<td>Second Quarter</td>
<td>117.57</td>
<td>142.51</td>
<td>166.97</td>
<td>142.16</td>
<td>162-172</td>
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<tr>
<td>Third Quarter</td>
<td>118.35</td>
<td>141.07</td>
<td>152.88</td>
<td>153.45</td>
<td>160-170</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>129.47</td>
<td>156.73</td>
<td>152.14</td>
<td>162.00</td>
<td>160-170</td>
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<tr>
<td>Annual Average</td>
<td>118.75</td>
<td>146.40</td>
<td>160.80</td>
<td>151.40</td>
<td>160-170</td>
</tr>
</tbody>
</table>
Manitoba Cattle 2014

• More calves are likely to be kept during winter for further feeding to yearling (700-800 lb), short-keep (800-900 lb) or finished weights due to lower feed costs?
• Plains Processors in Carman, a federally-inspected plant, is being expanded to kill about 200 cattle per day in 2014 to supply beef to the domestic and export markets. Will this plant succeed when others haven’t?
• Inspected slaughter in Manitoba may remain at 9,000 - 10,000 head at provincially-inspected plants, but could be 50,000 head higher if the Carman plant kills cattle as planned.
• The Marion St., Winnipeg (ex-hog) slaughter plant, which was supposed to be converted by ProNatur to a federally-inspected cattle plant, has closed due to lack of funds.
Issues for Cattle Producers in 2014

• *Same old story:* Manitoba finished cattle prices have increased and will improve further if the C$ continues to decline, but are low relative to U.S. prices!

• Lack of slaughter plants willing to pay reasonable prices for Manitoba fed cattle, partly due to heavier cross-breeds?

• Reduced price competitiveness as long as U.S. market access is limited by mCOOL.

• At what price does beef become too expensive for consumers and demand for slaughter cattle drops?

• Feedlot margins are likely to improve in early 2014 due to lower feed costs (for at least the first half of the year) and higher finished cattle prices.
FARM INCOME
• Total Manitoba farm cash receipts are likely to have risen by 10% from 2012 to a new high in 2013, *reaching the $5.7 billion mark!*  
• Farm operating expenses in 2013 are expected to have been close to the 2012 level, which was a record high.  
• A much larger crop in 2012 meant a rise in crop sales for the first seven months of 2013. Good crops again in 2013 improved sales for the rest of the year, but at lower prices. *Crop farm cash receipts may have gone up by about 21% in 2013 to a new record*  
• With rising hog prices in the second half of 2013, farm cash receipts for pigs may have gone up by as much as 5% in 2013. Due to smaller calf crops and more cattle kept on farms, cattle sales and farm cash receipts are expected to decrease in 2013. *Livestock cash receipts could increase by about 2-3% in 2013 from the previous record level in 2012.*
## Manitoba Farm Income 2008-2014E

<table>
<thead>
<tr>
<th>million dollars</th>
<th>2008(^R)</th>
<th>2009(^R)</th>
<th>2010(^R)</th>
<th>2011(^R)</th>
<th>2012(^R)</th>
<th>2013(^P)</th>
<th>2014(^E)</th>
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<tbody>
<tr>
<td>Crop Receipts</td>
<td>2,777</td>
<td>2,816</td>
<td>2,683</td>
<td>2,550</td>
<td>2,749</td>
<td>3,320</td>
<td>3,000</td>
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<td>Livestock Receipts</td>
<td>1,716</td>
<td>1,651</td>
<td>1,748</td>
<td>1,920</td>
<td>1,934</td>
<td>1,980</td>
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<td>Total Payments</td>
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<tr>
<td><strong>Total Cash Receipts</strong></td>
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<td><strong>4,853</strong></td>
<td><strong>4,781</strong></td>
<td><strong>4,970</strong></td>
<td><strong>5,178</strong></td>
<td><strong>5,700</strong></td>
<td><strong>5,300</strong></td>
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<tr>
<td>Net Oper. Expenses</td>
<td>3,999</td>
<td>3,869</td>
<td>3,776</td>
<td>3,950</td>
<td>4,312</td>
<td>4,300</td>
<td>4,350</td>
</tr>
<tr>
<td>Net Cash Income</td>
<td>845</td>
<td>985</td>
<td>1,004</td>
<td>1,020</td>
<td>866</td>
<td>1,400</td>
<td>950</td>
</tr>
<tr>
<td>Income-In-Kind</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Depreciation Charges</td>
<td>490</td>
<td>520</td>
<td>530</td>
<td>565</td>
<td>586</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td><strong>Realized Net Income</strong></td>
<td><strong>358</strong></td>
<td><strong>468</strong></td>
<td><strong>478</strong></td>
<td><strong>458</strong></td>
<td><strong>283</strong></td>
<td><strong>804</strong></td>
<td><strong>354</strong></td>
</tr>
<tr>
<td>Inventory Change Value</td>
<td>521</td>
<td>34</td>
<td>-563</td>
<td>-493</td>
<td>692</td>
<td>negative?</td>
<td>negative?</td>
</tr>
<tr>
<td><strong>TOTAL NET INCOME</strong></td>
<td><strong>879</strong></td>
<td><strong>501</strong></td>
<td><strong>-85</strong></td>
<td><strong>-35</strong></td>
<td><strong>975</strong></td>
<td>down?</td>
<td>down?</td>
</tr>
</tbody>
</table>


NB: Statistics Canada’s second estimates of calendar-year 2012 farm cash receipt and expense data were released in November 2013, when revisions were made to prior years.  
\(E\) - estimate, \(P\) - projection, \(R\) - revised
DIRECT PAYMENTS: % OF FARM CASH RECEIPTS
MANITOBA, 1971- 2014E

Datasource: Statistics Canada
<table>
<thead>
<tr>
<th>YEAR</th>
<th>98</th>
<th>99</th>
<th>2000</th>
<th>'01</th>
<th>'02</th>
<th>'03</th>
<th>'04</th>
<th>'05</th>
<th>'06</th>
<th>'07</th>
<th>'08</th>
<th>'09</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13P</th>
<th>14E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Program Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Market Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**AVERAGE NET OPERATING INCOME PER FARM**

**MANITOBA, 1998 - 2014E**

**Data source:** Statistics Canada, author’s estimates
FARM OPERATORS AVERAGE TOTAL INCOME
MANITOBA, 1990-2013E

VALUE OF MANITOBA FARM CAPITAL
vs FARM DEBT, 1941-2013E

VALUE OF FARM CAPITAL
VALUE OF FARM DEBT OUTSTANDING

Data source: Statistics Canada, author’s estimates 2013
VALUE OF MANITOBA FARM DEBT OUTSTANDING
BY TYPE OF LENDER, 2002-2012

Data source: Statistics Canada
World: 2014 and Beyond

- The improved economic recovery in the U.S. is likely to keep the Canadian dollar below the U.S. dollar in 2014, possibly closer to the US$0.90 level.
- The U.S. could continue its low interest rate policy until fall 2014, which, with low inflation, will discourage Canada from raising rates until then.
- Due to an ample carry-over, U.S. corn prices will continue below US$5/bushel for the first half of 2014 at least. Lower prices for soybeans, barley, oats, flaxseed and canola are also expected.
- The market, through futures prices, is currently anticipating corn prices to be US$4.30-4.70/bu until December 2017. However, any indication of a poor U.S. corn crop in 2014 coupled with rising demand will push corn prices higher from mid 2014 into 2015.
- Will Western Canada, particularly Manitoba, have good seeding, production and harvest conditions again in 2014?
Manitoba Outlook Summary 2014

- Will 2014 be a year where Manitoba farmers once again are affected by production risk? Drought or flood?
- Manitoba prices for grains and oilseeds will remain lower in early 2014.
- Relatively good sales of Manitoba crops are expected in the first half of 2014 due to a good crop in 2013, but prices will be down from early 2013.
- Average Manitoba finished cattle prices are expected to increase by 2-10% in 2014, still remaining low relative to U.S. prices. Cattle and calf sales are likely to drop in 2014 due to successively smaller calf crops in 2010-2013.
- Total pig sales in 2014 are likely to be up from 2013. The sow herd could continue its slow climb back. Prices for slaughter hogs could change by -4 to +2% in 2014 depending on the demand for red meat.
- Increased world demand for oil could raise average prices in 2014, compounded by a weaker Canadian dollar. Higher average costs of fuel and, possibly, fertilizer than in 2013 will increase Manitoba farm expenses.
- Lower realized net farm income is expected in 2014, down from high level in 2013.
- Land prices are expected to rise again in 2014.
Energy, Ethanol and Agriculture

Corn - The Key Ag Price Driver

- Crops compete with corn for acres
- Livestock – corn driven
- Corn price was driven by ethanol expansion from 2006-2011, drought in 2012
- Best (FAPRI) price projection in 2005 for 2011 was $2.28/bu! What a miss!

Factors re ethanol corn use:
Price of corn; price of oil; ethanol blenders credit now gone; the economy - U.S. and abroad; existing ethanol plant capacity.

Future:
Corn use for ethanol will likely remain at current levels Mid-price scenario of $4.50-5.00 /bu most likely.

Ethanol - the Corn Price Driver

<table>
<thead>
<tr>
<th>Year</th>
<th>Pro d’ n bln bu</th>
<th>For E bln bu</th>
<th>Stocks bln bu</th>
<th>Price/ bu</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>9.4</td>
<td>0.6</td>
<td>1.5</td>
<td>2.07</td>
</tr>
<tr>
<td>2005 proj</td>
<td>12.0</td>
<td>1.8</td>
<td>1.4</td>
<td>2.28</td>
</tr>
<tr>
<td>2010/11</td>
<td>12.45</td>
<td>5.0</td>
<td>1.1</td>
<td>5.18</td>
</tr>
<tr>
<td>2011/12</td>
<td>12.36</td>
<td>5.0</td>
<td>1.2</td>
<td>6.22</td>
</tr>
<tr>
<td>2012/13</td>
<td>10.71</td>
<td>4.7</td>
<td>0.8</td>
<td>6.89</td>
</tr>
<tr>
<td>2013/14</td>
<td>13.93</td>
<td>5.0</td>
<td>1.6</td>
<td>4.10-4.70</td>
</tr>
<tr>
<td>USDA proj</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014/15</td>
<td>13.2 (normal)</td>
<td>5.0</td>
<td>1.5</td>
<td>4.50-5.00</td>
</tr>
</tbody>
</table>
- A new lower price tone to the overall crops sector was set in July 2013 with buoyant U.S. crop prospects for most grains, particularly corn.
- Crop prices for 2014 will likely be in a mid-price range pending planting and harvesting news from South America.
- Corn is expected to fluctuate in the US$4.10-4.70/bushel range until mid-2014. With trend corn yields in 2014, prices should remain below US$5/bu for the rest of the year.
- Livestock prices benefited from lower feed prices. Cattle returns will improve given lower input costs and a reduced cattle herd.
- Farmland prices in Western Canada in 2013 have risen at rates not seen since the land boom in the early seventies. Record crops in 2013 are expected to continue this trend into 2014. High farmer equity, increased cash flow and low finance costs have combined to increase land prices.