



# TEAMALBERTA

## ADVANCING ALBERTA'S CROP SECTOR TO 2025 AND BEYOND

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Martin S. Beaulieu  
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### Re: Cannabis distorts Farm Income

Dear Mr. Beaulieu,

Thank-you for engaging Team Alberta, among others, in your review of cannabis and farm income, and for providing three options for consideration. Farm Cash Receipts (FCR) and Farm Income are key indicators of farm health, which are critical for program and policy development. Maintaining the integrity of the Farm Income tables is in the best interest of all stakeholders and the competitiveness of Canada's agriculture sector.

Team Alberta is a collaboration between Alberta Barley, Alberta Canola, Alberta Pulse Growers, and the Alberta Wheat Commission. Collectively, we represent over 20,000 farmers, 20 million crop acres and over \$5 billion in commodity exports from Alberta. We would like to recognize and support the work that Janelle Whitley, Policy Manager with the Canadian Canola Growers Association (CCGA), provided for this submission.

This spring Statistics Canada reported gains in realized net farm income and Alberta was in the headlines for leading the country in growth. As significant contributors to Alberta's FCR, Team Alberta is concerned that reporting cannabis data in this manner is misleading. Cannabis is grown by a handful of licensed producers, who do not grow field crops generally associated with farms. As the cannabis sector grows, we are concerned that the distortion will persist, and it will be increasingly difficult to credibly assess the true health of Canadian farms. When cannabis is excluded, then we note a downturn in crop revenues across the prairies largely driven by lower canola and soy prices, and stagnant crop receipts in 2019 for Alberta.

As recognized by Statistics Canada, the legalization of cannabis and its classification as an agriculture commodity is distorting farm income and skewing the financial situation of Canadian farms. In 2019, a gain of 5.7% in farm cash receipts and 10.4% in realized net income was

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reported despite farmers struggling with China market restrictions and a difficult production season. Second quarter 2020 receipts show a \$1.3 billion increase with roughly half attributed to cannabis sales.

The removal of cannabis receipts would present a more realistic view of the financial health of Canadian farms. Crop receipts shrank in 2019 (-1.1%) with livestock and government programs solely accounting for any growth. The impact on farm income is unclear and cannot be calculated without the corresponding break-down in operating expenses, changes in inventory and depreciation.

Farm Cash Receipts and Farm Income are key data sets that directly inform public and private policy making and program development, and they demonstrate agriculture's contribution to our economy. Team Alberta is concerned that keeping cannabis – a rapidly growing, high value, tightly controlled commodity with limited cultivators – will continue to distort income trends and misrepresent the true picture of farm financial health in Canada. Since legalization, cannabis cultivation and sales are only expected to grow as more licenses are issued nationally, and its products are more readily available.

### **Option 1 – Status Quo**

The status quo neither provides transparency in operating expenses and farm income nor prevents data distortion for non-cannabis crops. As the cannabis sector grows, it will be increasingly difficult to assess the true health of Canadian farms and determine long-term trends. In 2019, cannabis was already the fourth largest crop receipt after canola, wheat, and soybeans despite being highly regulated and grown by a limited number of licensed companies.

### **Option 2 - Incremental approach with cash receipts and operating expenses excluding cannabis available upon request**

Statistics Canada should pursue an incremental approach to generate more robust and meaningful data. Given the magnitude of legalization to Canada (and agriculture) and Statistic Canada's reporting requirements, better information on production and how cannabis differs from other crops is warranted.

The availability of operating expenses excluding cannabis would provide a more accurate picture of farm expenses and historical trends. Expense data (e.g. fuel, labour) is one of a handful of data sets that allow our sector to track changes in expenses at the farm-level and by province. The inclusion of cannabis now limits the analysis. Additionally, the availability of operating expenses including and excluding cannabis would allow for the calculation of net cash income providing a more accurate view of farm health overall.

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The need to request non-cannabis data does not address the public facing issue and requires prior knowledge of the distortion. It is unlikely that stakeholders will take this step, and income reported and used publicly will continue to be skewed. Most Canadian producers would still be reliant on Statistics Canada to publish cannabis's impact on Farm Income in The Daily. As of November, there were 415 licensed companies that cultivate cannabis in Canada compared to 190,000 farms (Census of Agriculture 2016).

### **Option 3 - Produce all farm accounts including and excluding cannabis.**

Statistics Canada should endeavour to produce two farm income tables: Farm Income (including cannabis) and Farm Income (excluding cannabis). As the cannabis sector grows, better operating expenses and income data should become available, which will allow Statistics Canada to calculate realized net income and net income. Until then, a note should be added to the Tables explaining why realized and net income are not yet available for cannabis.

Team Alberta prefers Option 3 because separate tables provide the most transparent approach. It maintains the integrity of the information, meets both the needs of the farm sector and government, and ultimately, provides a full picture of Farm Income. Additionally, Option 3 eliminates any confusion about why cannabis is the only crop where operating data is available as proposed in Option 2. Furthermore, it would provide the Government of Canada with a better data source and understanding of cannabis legalization.

Thank-you again for engaging us in your cannabis consultation and allowing us to provide feedback on these three options. If you have other questions as you consider your next steps, then please contact Team Alberta through Karla Bergstrom with Alberta Canola at 780-454-0844 or [karla@albertacanola.com](mailto:karla@albertacanola.com).


Sincerely,



Dave Bishop  
Chair, Alberta Barley Commission



John Guelly  
Chair, Alberta Canola Producers Commission



Don Shepert  
Chair, Alberta Pulse Growers Commission



Todd Hames  
Chair, Alberta Wheat Commission

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