

Top 10 reasons to respect agriculture

By **TIM CARROLL**

COMMENTARY

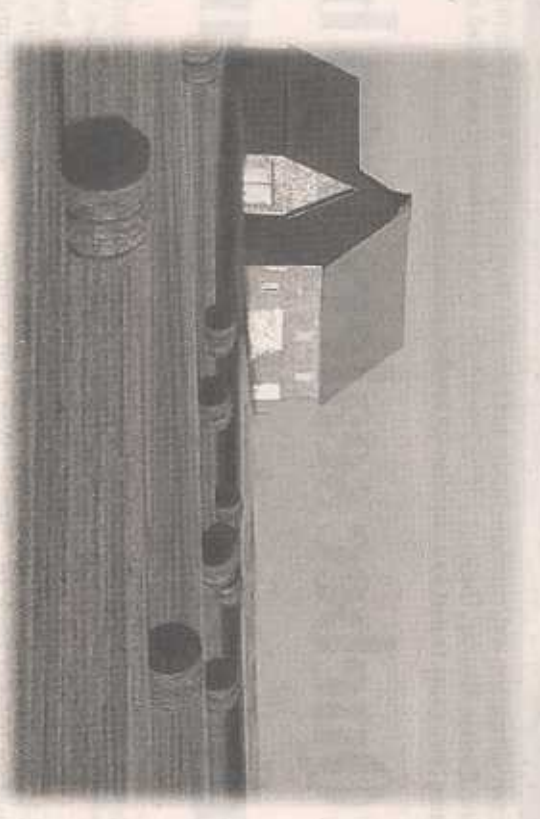
I want to follow up on Wayne Young's column in last Saturday's *Guardian* wherein he makes a case for agriculture getting the respect it deserves. Indeed, I cannot speak for everyone but I want to share why financial markets have at long last acquired a new respect for agriculture. Here is my opinion of the top 10 reasons among so many taken from a variety of sources.

10. After years of overlooking agriculture, which was perceived as an industry of hardship, investment bankers have suddenly taken notice of the incredible resiliency and capacity of agriculture to overcome adversity. In their world they know that all industries go through ups and downs. But they take notice when they see an industry deal with the likes of avian flu, BSE, on top of everything else, yet is still able to get up off the mat and come back with strength. Everyone respects that.

9. The middle class is growing globally especially in emerging markets (Turkey, Iran, India, China) which brings with it demand for more and better food.

8. Bio-fuel is creating additional demand for crops normally sold into food consumption markets. Projecting bio-fuel to grow from the present 20 billion litres to 40 billion litres.

7. Agriculture defines Canada as a trading nation. Being the fifth-largest importer and the fifth-largest exporter of food in the world agriculture singlehandedly



accounts for half of all Canada's exports and contributes disproportionately to our trade surplus (\$56 billion or nine per cent of the total surplus).

6. Investors are impressed by the ability of agriculture to adapt to change as they witness an increase in the number of organic farmers by 60 per cent in recent years and its steady, progressive march towards environmental sustainability.

5. The standard deviation for rates of return in agriculture are lower than standard deviations in the stock market. This means agriculture is relatively low risk.

4. Rates of return in agriculture are competitive with the Toronto Stock Exchange (TSX).

3. Agriculture land is the star inflation hedge. Hancock Group asserts that between 1941-2002 farmland value increased two per

cent more than the average rate of inflation over the same time period. Land never goes to zero.

2. The average TSX listed company has a 10.5 per cent operating profit (earnings before interest, taxes and depreciation). The top quarter of all Canadian farms show operating margins in the 30-50 per cent range.

And the number one reason financial markets now respect agriculture:

1. Farmers lead all Canadian industries in what many experts consider to be the most important indicator of all economic measures — productivity of the individual.

Agriculture productivity in recent years has increased by two per cent per year, which is double the one per cent productivity gain in the rest of the economy.

Impressive, eh? And the consumer has been the beneficiary of

this world-class performer as you watched your food expenditure drop from 18 per cent of your income in the seventies to nine per cent of income now.

As Islanders we can feel left out sometimes because economically we are always looking for that 'big break' whether it be the proverbial oil well or a major announcement from a company in one of the 'new' industries. We already have a true 'star' in our midst. We could be Ontario and having to come up with ways to save 'dogs' like auto, steel, metals, etc. that fall well short of agriculture's strength in productivity, resiliency, adaptability, competitiveness and environmental sustainability. We just have to struggle through a short-term income crisis and be comforted that at the end of that tunnel the P.E.I. agriculture industry will emerge strong and² already equipped to take on the world.

Lucky Islanders, it doesn't get any better in the economy game. We might even be able to use agriculture to save other patients on the table. Other sectors like biotechnology, which is having difficulty having commercial success in P.E.I. as it is just about everywhere else in North America might well be saved from obscurity by hitching its wagon to a star industry like P.E.I. agriculture.

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