Strengthening Canada’s rural economies

Canada’s rural communities are places of strong connections, surrounded and supported by the many family farms spread across the country. The business of farming, from food production to job creation, provides a strong, stable basis on which rural economies can grow. Family farms are clearly an important contributor to stable rural economies, and family farms that operate under supply management, producing eggs, chicken and dairy, are an important part of this economic contribution.

A 2018 study from Université Laval shows that egg, chicken and dairy farms in particular contribute to the stability of rural economies, punching above their weight when it comes to investing in communities, creating jobs, and contributing to Canada’s Gross Domestic Product (GDP). As the study shows, while supply-managed farms represent just 20% of farm receipts, they represent 25% of total investments, 30% of the total jobs created and 28% of the total GDP generated by farm investments.

About the study

Researchers at the Université Laval explored the economic impact generated from investments made by Canadian farms—investments such as modernizing and purchasing farm equipment, investing in technology, and implementing environmentally sustainable measures. They measured three kinds of impact:

- **Direct** (for example, jobs created from building new infrastructure)
- **Indirect** (for example, jobs created by companies hired by farms)
- **Induced** (for example, household spending resulting from money earned by farm workers)
To focus the research, researchers Maurice Doyon and Stéphane Bergeron analyzed six agricultural sectors. Using data from Statistics Canada, researchers compared farm investments made by three supply-managed sectors (eggs, chicken and dairy) with three sectors not under supply management (hog, beef and oilseeds/grains). Their research looked at national statistics, while also drilling down to specific examples in Quebec.

Beyond the farm gate: the effect of farm investments

In 2015, supply-managed farms invested $2.3 billion in equipment, technology, sustainability and more. While they represent just 20% of farm receipts of the six sectors studied, supply-managed sectors represent 25% of total investments made by Canadian farms.

As shown in a previous study by Dr. Doyon and Raphael Mbombo, the stability provided by supply management—removing market uncertainty and allowing farmers to plan for the future—creates a favourable environment for high levels of farm investments. These investments, as the new study goes on to show, have effects far beyond the farm gate, extending to local communities, towns and even urban centres.

Creating jobs

Farm investments regularly lead to new jobs being created on the farm, as production increases or new initiatives are implemented. At the same time, these investments have a ripple effect, causing suppliers and supporting industries to hire new workers and expand their businesses.

The study reveals that supply-managed farms generated an average of 1.78 jobs per farm from on-farm investments in 2015, while non-supply-managed farms generated 0.6 jobs per farm. Dairy farms generated the most jobs per farm out of the studied sectors, with 1.93 jobs per farm generated from investments (see Figure 1).

Contributing to GDP

Through investments, Canadian farms make significant contributions to the national GDP, with investments from the six studied sectors contributing over $8.7 billion in 2015, and generating almost $725 million in tax revenue that same year.

Supply-managed sectors provide strong stability to rural communities

At a per farm level, the data show that supply-managed sectors generate up to three times more GDP than non-supply-managed farms. By solely measuring the impact of their investments, each dairy farm in Canada contributed, on average, $180,000 to the national GDP, while GDP contributions from chicken and egg farm investments were $140,000 and $110,000 per farm, respectively (see Figure 2).

Local economic impact

With rural economies existing on a smaller scale than their urban counterparts, the relative importance of one new job in rural areas carries different weight than one new job created in urban centres. Recognizing this reality, the researchers expressed the number of jobs created in several rural Quebec communities in terms of equivalent jobs generated in Montreal (see Table 1).

In Bas-Saint-Laurent, for example, supply-managed farms created 597 local jobs through on-farm investments. According to the study, this would be equivalent to creating 14,328 jobs in Montreal. Similarly, in terms of GDP contributions, the $82.9 million created by farm investments in Bas-Saint-Laurent is equivalent to $1.5 billion of GDP contributions generated by companies in Montreal.

In Côte-Nord, a sparse community in eastern Quebec, supply-managed farm investments created 61 new jobs, equivalent to creating 2,318 jobs in Montreal. GDP contributions in Côte-Nord reached $5.9 million, which, in relative terms, is equal to $212 million in Montreal.
Conclusion

Canada’s family farms provide long-term stability to their surrounding rural communities. As the study clearly shows, the investments made by each farm go a long way in creating jobs and contributing to GDP. Supply-managed sectors in particular provide strong stability to rural economies: by providing stability to farmers, supply management allows egg, chicken and dairy producers to make long-term investments that have long-term economic impacts.

While supply-managed sectors comprise a smaller portion of the six sectors studied, they make more investments, create more jobs, and contribute more to GDP per farm than their counterparts. As Canada’s rural economies shift and change, farming and farm investments are becoming even more central to ensuring strong, vibrant rural economies.

About the researchers

Maurice Doyon, PhD is a professor at Université Laval and holds the Egg Industry Economic Research Chair.

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