



INVESTING IN THE FUTURE OF CANADIAN AGRICULTURE AND FOOD / **FARM CREDIT CANADA** 2025-26 Annual Report

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AGRICULTURE INDUSTRY OVERVIEW

With record-high cattle prices, farm cash receipts grew in 2025 to a record \$101.4 billion, an increase of 3.4%. Crop receipts fell by \$870 million but were more than offset by higher livestock receipts, which increased by \$5.3 billion thanks to both the record-high cattle prices and higher hog prices. Government payments also fell slightly, down about \$1.1 billion.

Total Canadian crop production was a record 107 million tonnes in 2025, nearly 16% above the five-year average (2020-24). This increase was largely due to optimal growing conditions in Western Canada, which more than made up for lower production in Eastern and Atlantic Canada caused by dry conditions. These differences highlight the increasing impact of climate-related variability on the Canadian agriculture industry, with extreme weather and shifting growing conditions influencing production, input costs and overall industry performance.

It's important to note that farm cash receipts measure total revenue, not profit. They don't include input costs, which rose again in 2025 (and have risen more than 40% since 2020). This cost increase explains why profit margins remained tight in several sectors.

Grain and oilseed markets were pressured by global trade uncertainty, limited access to key export markets, large U.S. crops in 2025 and abundant global supplies of most commodities – all pushing prices down. As a result, margins in Western Canada for the 2025-26 crop year (August 1 to July 31) are expected to stay tight. Margins in Eastern Canada will also be constrained due to reduced yields from dry conditions. Looking ahead to 2026-27, many farms may face tight or negative margins as large global supplies, trade uncertainty, rising fertilizer costs and lower commodity prices pressure revenues. Profit margins for those that purchased fertilizer earlier will be better than those that purchased after the conflict in the Middle East began. Regardless, profitability is expected to be constrained as producers are already facing elevated crop input prices and lower commodity prices for 2026. However, the new trade agreement between Canada and China is a major boost for producers of canola and field peas, and will help with spring planting decisions.

Canadian hog margins for farrow-to-finish and isowean operations improved in 2025, driven by strong hog futures prices and declining feed costs. After several years of weaker demand and oversupply globally, the hog market has become more balanced. Margins look to remain well supported for agricultural producers in 2026.

Cattle inventories remain low across North America, keeping prices elevated. As a result, the cattle sector saw record profitability in 2025, and cow-calf margins are expected to stay well above the five-year average in 2026. Feedlot profitability has improved and remains above average, supported by high cattle prices and heavier animals. However, margins are only slightly above break-even because feeder calf costs have risen faster than fed cattle prices. Abundant feed supplies in 2026 could further boost feedlot returns.

The dairy industry has had several positive years including 2025. Milk production has increased, driven by strong demand for dairy products. Marketing boards have responded by issuing additional quota and incentive days to boost supply, contributing to improved dairy profitability. Dairy margin estimates improved throughout 2025 as feed and other costs eased slightly and revenue increased. Improved prices and declining feed costs support strong profitability in 2026.

The poultry sector has faced challenges stemming from repeated avian influenza outbreaks over the last several years. As a result, the broiler sector experienced lower chick placements and underproduced relative to its allocation in 2025. Despite these challenges, 2026 production targets are well above normal. Broiler production is expected to rise sharply, with fall quota allocations averaging over 7% above base. Egg layer production had steady growth in 2025, rising over 10% as the sector recovered from the impact of avian flu. Similar growth is expected for egg producers in 2026.

Crop input costs remain elevated in 2025, especially for fertilizer, which was already expensive because of tight global supply. The conflict in the Middle East has made supply disruptions even worse. With crop prices expected to fall, input costs will put more pressure on farm margins in 2026, also hurting demand for farm equipment.

Farmland values continue to appreciate

High demand and low availability of farmland continue to be defining factors in farmland appreciation. Recently, the pace of appreciation has slowed in sync with lower profitability, although limited land supply continues to support prices. As a result, farmland value appreciation slowed to an estimated 4.3% nationally in 2025. Land value appreciation is projected to continue slowing in 2026 as farmland affordability continues to be at all-time lows in many provinces.

Trade uncertainty has slowed investments

Canadian farm debt is expected to have increased 7.8% in 2025. Record-high cattle prices, elevated farm expenses and continued appreciation in farmland are driving the increase in farm debt. Farmland remains a strategic investment for well-capitalized agricultural producers who are seeing opportunities to enhance the efficiency of their operations. Despite the increase, investments on Canadian farms are slowing, particularly on equipment and buildings. A February 2026 FCC Vision survey showed that agricultural producers, food businesses and agribusinesses continue to be cautious about making capital investments in this environment. However, the resilience of the industry remains evident, as many producers continue to take a long-term view when planning capital expenditures, particularly for farmland.

Food and beverage manufacturing capital expenditures as a percent of revenue experienced a large slowdown in 2025. The capital expenditure-to-sales ratio declined to 3.3%, from 3.6% in 2024. The decline reflects business uncertainties brought on by global trade disruptions.

Food and beverage manufacturing margins

Canadian food and beverage manufacturers had a bumpy year in 2025. While sales rose 1.7%, that growth was mainly the result of higher prices being passed along, as volumes declined 2.6% due to a challenging trade environment and slowing population growth. Raw material costs started to ease in the latter half of 2025 and that trend is expected to continue in 2026. In addition to raw material costs, job vacancies and wage growth slowed in 2025, pointing to a more accessible labour market and softer wage pressures into 2026. However, for 2026, the outlook for costs is highly uncertain, especially with the ongoing commodity price shock and Middle East crisis.

ADDITIONAL INFORMATION

For more information, visit:

[!\[\]\(b792654f2cef9719eabeb6c5be00811e_img.jpg\) Farmland Values Report](#)

[!\[\]\(7d1d6890825e83a6a4a51febe2dcc7f3_img.jpg\) FCC Sector Outlooks](#)





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