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Releases

Sound recording and music publishing

2005

Canada's sound recording and music publishing industries turned a relatively healthy profit in 2005, despite the worldwide decline in record sales and increased competition from other forms of entertainment.

Each of the three major segments of Canada's music industry—record production, music publishing, and recording studios—posted a profit in 2005.

In total, the industry reported operating revenues estimated at \$942 million. Record production, by far the largest segment, accounted for almost 80% of revenues, and the other two segments roughly 10% each.

Estimated total operating expenses for these combined industries amounted to \$815 million, resulting in an overall operating profit margin of 14%.

Record production: Higher profit margin despite substantial decline in revenues

The record production segment (consisting of firms classified to record production and integrated record production) reported revenues amounting to \$767 million, an 8.6% drop from 2003, the last time the survey was taken. During the same period, total expenses fell 14.9% to \$713 million.

As a result, these firms posted a profit margin of 7.0%, a considerable improvement from the 0.1% profit margin in 2003.

According to annual reports from the major industry players, firms achieved profitable growth in 2005 through a variety of methods, including streamlining and restructuring global operations, as well as lowering costs.

The development of new distribution and delivery channels geared towards digital markets also helped boost the operating margin. The market for digital products requires less inventory along with lower distribution and return expenses.

Data analyzed in the remainder of this release are based on establishments whose combined revenues account for about 95% of the industry's total revenues.

Increase in Canadian artists' share of recording sales

Despite the ongoing sales slump, sales of recordings by Canadian artists amounted to \$123 million

Note to readers

The new annual Survey of Sound Recording and Music Publishing measures the financial performance of record producers and integrated record production companies, music publishers and sound recording studios.

Data for 2005 should not be compared with previously published data for the sound recording and music publishing industries since significant changes were made to the survey. Music publishing and sound recording studios were not covered by the previous survey.

Some key trends for record producers and integrated record producers only can still be determined as this release includes data for the two previous survey years, 2003 and 2000, using the 2005 methodology.

The data are now collected using statistical sampling and cover 95% of the total revenue earned by the sound recording and music publishing industries. Administrative data are used to account for the other 5%, but only selected financial statistics are available for these small companies. The survey frame is based on a central Statistics Canada database of businesses that have been classified through the use of the North American Industry Classification System.

Data for record production and integrated record production have been combined in this analysis. To facilitate the presentation of characteristics in this release, references to "record producers" or "record production companies" include firms classified to the record production and integrated record production industries.

in 2005, up 3.3% from 2003. These sales accounted for about one-fifth (21%) of total sales. Roughly 57% of all Canadian recordings came from Ontario, and 32% from Quebec.

Canadian artists also released more music in 2005 compared with the previous survey year. New releases of musical recordings by Canadian artists rose 8.8% to 521 releases. On the other hand, the overall number of new releases (including those by non-Canadian artists) fell 5.6% to just over 3,900 releases.

Sales of sound recordings declined 3.0% to \$575 million between 2003 and 2005. Even so, these sales accounted for more than three-quarters (77%) of the record production industry's \$749 million in total revenues. The majority of revenues came from the sale of albums in CD format (90%).

Sales of musical recordings in cassette and vinyl album format were nominal in 2005. They represented less than \$7 million of total sales, a mere 1.1% of all musical recordings. This coincides with the growing shift in music format and consumer behaviour to electronic media.

According to the International Federation of the Phonographic Industry, Canada ranked as one of the top 10 digital markets in 2005. An estimated 3% of Canada's global sales came from digital formats.

Survey data show that electronic music sales accounted for 3.9% of all national sales in 2005.

Record production industry highly concentrated

Canada's heavily concentrated record production industry is dominated by four large companies, ranked on the basis of revenues earned. They accounted for about 80% of the national total. All four firms reported operations in Ontario, and three reported operations in Quebec.

Combined, record production operating revenues for all firms in Ontario and Quebec represented 82% of total national operating revenues.

Ontario record producers dominated the country, earning 63% of total operating revenues in 2005. They were followed by Quebec firms, with 19% of revenues. Ontario firms had operating expenses of \$395 million, 61% of the total.

The music business has always been extremely dynamic and competitive, and technological advances in recent years have led to considerable change. The largest firms have always dominated the industry and competed against each other to increase or at least maintain market share. Many record producers appear to have determined ways of positioning themselves better, and turning a profit, in the wake of the digital revolution.

Music publishing: A small but fairly profitable industry

The music publishing segment of the industry posted operating revenues just over \$73 million in 2005, with an overall operating profit margin of 20.9%.

In Canada, this segment is quite small compared to its counterpart in the United States, which generated \$4 billion in revenues in 2005.

According to US Census Bureau data, the music publishing portion of the various sound recording industries accounted for roughly 22% of total revenues in 2005. In contrast, in Canada, they accounted for approximately 10% of total revenues.

Generally, music publishers are in the business of representing the interests of songwriters to promote and authorize the use of their songs in recordings, on radio and television, as well as in motion pictures, live performances, and print and various other media.

In 2005, revenues from royalties and rights accounted for 74% of overall operating revenues.

Performing rights made up the majority of royalty and copyright based revenues, accounting for 55% of total royalties and rights, followed by mechanical rights and synchronization rights.

Total operating expenses amounted to \$57.7 million. The largest expense items reported by surveyed firms were royalties, rights, and licensing and franchise fees, which represented 39% of total operating expenses. Salaries, wages and benefits accounted for 25% of these expenses.

Sound recording studios: Revenues outpace expenses

Sound recording studios posted total operating revenues of \$74.3 million in 2005. Revenues outpaced expenses of \$65.2 million, so this segment of the industry turned an overall operating profit of 12.2%.

Firms in Ontario were again dominant, representing 37% of overall operating revenues, followed by those in Quebec (31%), and British Columbia (23%).

British Columbia was the only province in which firms generated the majority of their operating revenues (56%) from providing studio services for the music industry.

At the national level, \$39.7 million, or 54%, of total operating revenues came from studio recording services for "other purposes", such as commercial audio production. Recording services for the music industry accounted for 35%, and on-location live recording services, 2%.

The largest expense items reported by surveyed firms were salaries, wages and benefits, which represented 26% of total operating expenses estimated at \$65.2 million.

Outsourcing accounted for 15% of total operating expenses, followed by rental and leasing at 10%. Contract workers made up the bulk of personnel, about 1,185, and the majority (37%) came from Quebec.

At the national level, the studio recording service industry employed 450 full-time employees.

Definitions, data sources and methods: survey number 3115.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Heather Archibald (613-951-0403; fax: 613-951-6696; heather.archibald@statcan.ca), Service Industries Division, or Erika Dugas (613-951-1568; fax: 613-951-6863; erika.dugas@statcan.ca), Culture, Tourism and the Centre for Education Statistics.

□

Selected statistics with backcasted data for the record production and integrated record production and distribution industry¹

	2005	2003	2000
		Backcasted ² data	
	\$ thousands		
Industry estimates³			
Total revenue	767,245	839,571	941,643
Total expenses	713,266	838,539	818,614
Salaries, wages and benefits	89,448	106,909	109,401
Profit margin	7.0	0.1	13.1
	\$ thousands		
Surveyed portion³			
Sales of recordings by Canadian artists	122,465	118,534	124,016
Sales of recordings by non-Canadian artists	452,496	473,975	557,678
Total sales of recordings	574,961	592,509	681,693
Revenue from royalties and rights	31,153	43,542	46,689
Other revenue	142,785	184,185	192,138
Total revenue	748,899	820,236	920,520
Salaries, wages and benefits	86,211	103,109	105,544
Total expenses	693,291	815,994	797,106
Profit / Loss	55,609	4,242	123,415
	number		
Number of releases by Canadian artists	521	479	445
Number of releases by non-Canadian artists	3,382	3,654	4,475
Total number of releases	3,903	4,133	4,920
	%		
Profit margin	7.4	0.5	13.4

1. Based on the North American Industry Classification System and includes all establishments classified to 512210 record production and 512220 integrated record production and distribution.
2. Backcasted data have been created in order to be able to compare the data from 2003 and 2000 to 2005. This is necessary because of the major changes to the survey, including the use of a new frame, a new definition of the sound recording and music publishing industry, and the use of a sample survey.
3. Industry estimates are based on the surveyed portion and are augmented by administrative data for establishments that were too small to be eligible for sampling. The surveyed portion includes only data for surveyed establishments weighted to represent other establishments that were eligible for sampling but were not selected. The surveyed portion represents approximately 95% of total industry revenue.

Note: Due to rounding, components may not add up to totals.



Farm product prices

September 2007

The prices received by farmers in September for grains, oilseeds, specialty crops, potatoes, cattle, hogs, poultry, eggs and dairy products are now available.

The September feed barley price in Alberta was \$164.01 per tonne, up 3% from August and up 64% from the September 2006 price of \$100.30.

The September hog price in Quebec was \$55.74 per hundredweight, down 14% from August and down 10% from the September 2006 price of \$62.13.

Farm commodity prices are now available in CANSIM. Prices for over 35 commodities are available by province, some series going back 20 years.

Available on CANSIM: table 002-0043.

Definitions, data sources and methods: survey number 3436.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Nickeisha Patterson (613-951-3249; fax: 613-951-3868; nickeisha.patterson@statcan.ca), Agriculture Division. ■

New products

Industry Price Indexes, September 2007, Vol. 33,
no. 9
Catalogue number 62-011-XWE
(free).

Building Permits, September 2007, Vol. 51, no. 9
Catalogue number 64-001-XWE
(free).

All prices are in Canadian dollars and exclude sales tax. Additional shipping charges apply for delivery outside Canada.

Catalogue numbers with an -XWE, -XIB or an -XIE extension are Internet versions; those with -XMB or -XME are microfiche; -XPB or -XPE are paper versions; -XDB or -XDE are electronic versions on diskette; -XCB or -XCE are electronic versions on compact disc; -XVB or -XVE are electronic versions on DVD and -XBB or -XBE a database.

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Statistics Canada

Thursday, June 5, 1997
For release at 9:30 a.m.

MAJOR RELEASES

- **Urban transit, 1995** 2
Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took the average of about 15 trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1995** 4
Growth in productivity among Canadian businesses was relatively weak again in 1996, accompanied by sluggish gains in employment and slow economic growth (GDP) for the year.

OTHER RELEASES

- **Map-based Index May 1997** 3
- **Short-term Expectations Survey** 3
- **Steel primary forms, week ending May 31, 1997** 12
- **Egg production, April 1997** 12

PUBLICATIONS RELEASED

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