

**Net Income of Farm Operators from Farming Operations.**—Two different estimates of farm net income from farming operations are prepared by the Agriculture Division. One is called *realized net income* and is obtained by adding together farm cash income from farming operations, supplementary payments and the value of income in kind, and deducting farm operating expenses and depreciation charges. This estimate of farm net income represents the amount of income from farming that operators have left for family living or investment after provision has been made for operating expenses and depreciation charges. The second estimate is referred to as *total net income* and is obtained by adjusting realized net income to take into account changes occurring in inventories of livestock and stocks of grains on farms between the beginning and end of the year. The latter estimate is the one used to calculate the contribution of agriculture to national income.\*

It is estimated that for 1962 *realized net income* of farmers from farming operations amounted to \$1,453,000,000, a figure 9.7 p.c. above the estimate of \$1,324,600,000 for 1961, and 12 p.c. higher than the average of \$1,297,100,000 for the five-year period 1957-61. The record high cash income from farm products and the substantial gain in supplementary payments in 1962 more than offset the continued rise in farm operating expenses and depreciation charges; income in kind remained practically unchanged. Increases were estimated for all provinces except Nova Scotia and New Brunswick. On a percentage basis, the provincial gains amounted to: less than 1 p.c. for Quebec; between 6 p.c. and 7 p.c. for Manitoba and Alberta; approximately 9 p.c. for Prince Edward Island and Ontario; and 18 p.c. and 19 p.c. for British Columbia and Saskatchewan, respectively.

For 1962, *total farm net income* was estimated at \$1,630,300,000 compared with the estimate of \$1,044,000,000 for 1961, and an average of \$1,195,900,000 for the five-year period 1957-61. Although cash income from farm products and supplementary payments contributed substantially to the higher total farm net income in 1962, most of the gain can be attributed to a significant increase in farm-held inventories of grains in Western Canada between the beginning and the end of the year, as a result of high production. Although that part of farm net income which is represented by inventories is not readily available for spending, it forms the basis of cash advances in Western Canada and it is part of total production for which estimated total expenses were incurred during the year.

Farm cash income, the most important component of farm net income, and supplementary payments are discussed above. Income in kind, which includes the value of agricultural products consumed in homes on farms where produced and the imputed rental value of farm dwellings, was estimated at \$342,600,000 for 1962, a figure practically unchanged from that of a year earlier. Increases in the imputed rental value of farm dwellings and the value of the consumption of meat almost entirely offset the reduction in the value of other products consumed.

The value of inventory change is obtained by calculating the change in the quantity of grain and the numbers of livestock on farms between the beginning and the end of the year and valuing the differences at average annual prices. The value of inventory change at the end of 1962 was estimated at \$177,300,000 as compared with *minus* \$280,700,000 at the end of the previous year. The estimate for 1962 reflects an increase in the numbers of cattle and calves on farms and a significant rise in the amount of farm-stored grains resulting from the large crops harvested in that year. Although the livestock population increased between the beginning and end of 1961, the gain was far more than offset by the small 1961 crop and the resulting depletion of farm-held grain inventories.

Farm operating expenses and depreciation charges include farm business costs incurred by farmers regardless of whether they are paid for in cash or accumulated as new debt. As far as possible they exclude outlays for goods and services obtained directly from other

\* Information on the methods and concepts used to determine the contribution of agriculture to national income is available in DBS publication *Handbook of Agricultural Statistics, Part II*.