

Net Income of Farm Operators from Farming Operations.—Two different estimates of net income from farming operations are prepared by the Agriculture Division. One is called *realized net income* and is obtained by adding together 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 the end of the year. The latter estimate is the one used to calculate the contribution of agriculture to national income.*

For 1964, *realized* farm net income was estimated at \$1,526,100,000, an amount about 13 p.c. above the 1963 estimate of \$1,346,300,000 and 14 p.c. higher than the average of \$1,339,200,000 for the five-year period 1959-63. Compared with 1963, farm operating expenses and depreciation charges were up more than 4 p.c. and supplementary payments declined, but farm cash receipts from farming operations set a new record high and the value of income in kind increased.

Total net income amounted to \$1,432,000,000 in 1964, nearly 14 p.c. below the 1963 level of \$1,654,800,000, but about 4 p.c. above the average of \$1,379,400,000 for the 1959-63 period. Farm inventories of grains in the Prairie Provinces declined quite substantially between the beginning and the end of the year as a result of a lower level of grain production in 1964 than in 1963; this, together with the increase in farm operating expenses and depreciation charges, more than offset the record high cash receipts to give a total net income for 1964 below that of a year earlier.

Farm cash receipts, the most important component of farm net income, and supplementary payments are discussed on p. 474. Income in kind, which includes the value of farm consumption of home-grown foodstuffs, wool and forest products plus an imputed rental value of farm dwellings, was estimated at \$367,800,000 for 1964 as against \$354,900,000 in 1963. This gain can be attributed entirely to an increase in the value of consumption of fruits and vegetables and a higher imputed rental value for the farm home.

The value of inventory change is obtained by calculating the change in the quantity of grain and the number of livestock on farms between the beginning and the end of the year and valuing the difference at average annual prices. The value of inventory change at the end of 1964 was minus \$94,000,000 as against \$308,400,000 for 1963, reflecting a substantial reduction in farm-held stocks of grain arising out of the smaller crops in 1964 compared with 1963, partially offset by a build-up in the numbers of livestock and poultry.

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 farmers. All subsidy payments are taken into account so that the estimates represent only the net amounts paid by farmers. The total of these expenses and depreciation charges reached a new high of \$2,305,800,000 in 1964, more than 4 p.c. above the 1963 estimate of \$2,207,900,000. With the exception of gross rent, all items of farm costs in 1964 were above the level of the previous year. In the case of rent, farmers' outlays were reduced quite substantially as a result of smaller crops and the consequent reduction in share-rental payments. For the second consecutive year, expenditure on fertilizer and lime showed the greatest increase both on a percentage basis and in absolute terms; costs to farmers rose from \$105,000,000 in 1963 to \$126,400,000 in 1964 as a result of higher prices and a substantial increase in the quantities used. Although the hired labour force in agriculture

* 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*.

† Certain expense estimates used here do not agree with those published by the 1961 Census of Agriculture; revisions based on the Census and those arising out of the 1958 Survey of Farm Expenditure were not completed at the time of preparation of this material.