

its trading partners also affect the agriculture sector. The decade 1972-82 was characterized by some major international events that affected the Canadian agricultural industry and, in turn, the incomes of Canadian farmers.

During the early 1970s the Organization of Petroleum Exporting Countries (OPEC) increased energy prices significantly. This gave them more potential to import Canadian agricultural products because they had more purchasing power. Their increased demand for products was partially offset by reduced exports to the non-OPEC countries which were experiencing financial difficulties because of the energy crisis.

The USSR instituted a five-year agricultural plan in 1971. One goal was to increase per capita meat consumption in the Soviet Union. This represented a significant shift in Soviet policy. In the event of shortfalls in domestic feed grain production, the USSR imported feed grains rather than liquidating herds, as had been done previously. The USSR is the largest importer of Canadian wheat, the major agricultural export from Canada. This, combined with other factors affecting the supply of world grains, resulted in marked price increases for Canadian grains in the 1972-73 and 1973-74 crop years.

In early 1980, the United States embargoed sales of wheat and corn to the USSR. The embargo was in effect until the spring of 1981 and resulted in depressed prices in the North American market due to expectations of decreased demand. The Canadian government made special supplementary payments to Prairie and Ontario farmers to offset losses resulting from these depressed prices. Subsequent to the embargo, the USSR moved toward more diversity in their import markets and Canada benefited to some extent from this policy change. Between the 1980-81 and 1981-82 crop years, Canadian wheat exports to the USSR increased by 26% to 5 million tonnes.

An adjustment in China's agricultural policy during the 1976-78 period also benefited Canada. By deciding to improve its food supply through increasing both production and imports China provided additional market opportunities and has become the second largest importer of Canadian wheat (3.1 million tonnes in 1981-82).

#### 9.5.1 Farm net income

Two different estimates of farm net income are prepared by the agriculture statistics division of Statistics Canada. Realized net income is obtained by adding farm cash receipts from farming operations, supplementary payments and the value of consumption of home grown products and deducting farm operating expenses and depreciation charges. Total net income is obtained by adjusting realized net income to take into account changes in livestock inventories and stocks of field crops on farms between

the beginning and end of the year. In the period 1972-82, realized net income in nominal terms increased from \$1.9 billion to \$3.5 billion; total net income rose from \$1.6 billion to \$3.8 billion. In constant 1971 dollars, however, realized net income decreased from \$1.8 billion to \$1.3 billion and total net income declined from \$1.6 billion to \$1.4 billion.

#### 9.5.2 Receipts from farming operations

Estimates of cash receipts include cash revenue from the sale of farm products, Canadian Wheat Board participation payments on previous grain crops, cash advances on farm-stored grains and deferred income from the sale of grain in Western Canada, deficiency payments made by the Agricultural Stabilization Board and supplementary payments. Cash receipts from the sale of farm products include returns from all sales of agricultural products except those associated with direct inter-farm transfers. The prices used to value all products sold are prices to farmers at the farm level; they include any subsidies, bonuses and premiums that can be attributed to specific products but are net of storage, transportation, processing and handling charges.

Total cash receipts in 1972 were \$5.5 billion. By 1982 they had increased to \$18.8 billion. The index of farm gate prices indicates that prices increased 2.6 times between 1972 and 1982, while the annual index of farm production shows an increase of 1.4 times over the same period.

**Crop receipts.** In the early years of the 1972-82 period, crop receipts accounted for about 39% of total cash receipts, while livestock receipts were 57% of the total. The remainder was made up of receipts for forest and maple products, provincial income stabilization payments, dairy supplementary payments, deficiency payments and supplementary payments. In general, although there was not always such a large percentage difference, livestock receipts accounted for the largest portion of cash receipts. Exceptions occurred in 1975 and 1981 when crops and livestock each accounted for 48%. In 1975 the increased crop receipts resulted mainly from price strength in wheat, and wheat receipts were 17% of total cash receipts. In 1981, although grain prices were not as strong, record marketings were realized. The decade ended with crops accounting for 45% and livestock 51%.

Cash receipts from crop production rose from \$2.2 billion in 1972 to \$8.5 billion in 1982. The index of prices received by farmers indicates that farm gate crop prices increased 2.7 times in the 1972-82 period. The index of farm input prices indicates an increase of 3.3 times on items related to crop production. While year-to-year variations obscured long-term trends, total production generally increased due to higher yields and larger seeded areas, especially in cereal crops. Factors affecting seeded areas were price expectations, government programs, market potential and the expansion of