

by 35% and output of 2% milk increased by 23%. In contrast, whole milk sales dropped by 23%.

Of the milk products, yogurt production showed the most dramatic change, recording a 78% increase between 1980 and 1986. Production of variety cheese increased by 60% over the same period. In contrast, cheddar cheese production rose by only 5% and butter production fell 5% between 1980 and 1986.

9.4.3 Farm net income

Two different measures of farm net income are prepared by the Agriculture Division of Statistics Canada. Realized net income is obtained by summing farm cash receipts from farming operations, supplementary payments, and the value of consumption of farm products in farm homes and deducting farm-operating expenses and depreciation charges. This estimate of net income represents the amount of income from farming that farm operators have left for living costs, personal taxes and investment after provision for operating expenses and depreciation charges. Total net income is obtained by adjusting realized net income to take into account changes in livestock and crop inventories on farms during the year. Total net income represents income accruing to farm operators from the production of agricultural products.

In the period from 1980 to 1986, realized net income in nominal terms increased from \$3.3 billion to \$4.9 billion; total net income rose from \$3.1 billion to \$5.8 billion. However, in constant 1981 dollar terms, the increases were less pronounced; realized net income increased from \$3.7 billion to \$3.9 billion and total net income rose from \$3.4 billion to \$4.6 billion. Cash receipts from farming operations increased 28% between 1980 and 1984, largely due to higher marketings of cereal and oilseed crops, then basically levelled off from 1984 to 1986. Total farm expenses and depreciation charges increased 19% between 1980 and 1981 as input prices rose rapidly, then increased only 4% over the next five years. Realized net income rose in 1981, fell during the next two years and then climbed to \$4.4 billion in 1984. Recent gains in realized net income have not resulted from higher market-related farm cash receipts, but were due to an increase in direct program payments and a levelling off of farm expenses and depreciation charges. Net farm incomes were strongly influenced by increased direct payments under federal and provincial government programs. Over the six-year period, from 1980 to 1986, total direct payments to farmers increased by over \$2 billion to \$2.9 billion, with most of the increase in the 1984 to 1986 period.

Total net income has fluctuated to a greater extent than realized net income due to the fact that the value of inventory change may experience wide variations from one year to the next. Largely because of the drought experienced in the Prairie provinces in 1984, the value of inventory decreased by almost \$1 billion in 1984. A large negative change also occurred in 1983 and contributed to the low total net income that year. Total net income increased steadily since that time to a record level in 1986, reflecting that year's record grain harvest.

9.4.4 Receipts from farming operations

Estimates of farm cash receipts measure the value of sales resulting from the production and marketing of all agricultural commodities, except for those commodities sold between farms within a province. The prices used to value all marketings are the prices actually received by farm operators; they include any bonuses and premiums attributable to a specific product but are net of storage, transportation, processing and other charges deducted from prices before producers are paid. The farm cash receipts estimates also include any payments, including government payments, made directly to farm operators for specific commodities or in support of production or farm incomes.

Total cash receipts increased from \$15.9 billion in 1980 to \$20.4 billion in 1986, only slightly surpassing the 1984 record level of \$20.3 billion. In constant dollar terms, total cash receipts for the period 1980-86 peaked at \$18.7 billion in 1981, falling to \$15.3 billion by 1986. The rise in current dollar cash receipts during the early 1980s was due to increases in crop receipts principally for grains and oilseeds. In more recent years however, cash receipts increased due to a rise in direct payments under government programs and to a lesser extent because of higher receipts for livestock and livestock products.

Crop receipts. Crop receipts as a percentage of total cash receipts ranged from a low of 45% in 1980 to a high of 49% in 1983 during the 1980-86 period. Crop receipts increased steadily from \$7.1 billion in 1980 to a record level of \$9.8 billion in 1984.

The increase in the early 1980s was due to a rise in grains and oilseeds production and subsequent marketings. However, droughts in 1984 and 1985 in the Prairie provinces, combined with declining world prices for grains and oilseeds, particularly in 1985 and 1986, contributed to annual decreases of 4% and 3%, respectively, in 1985 and 1986 crop receipts. By 1986, crop receipts were \$9.2 billion, similar to the levels obtained in 1983.

The Canadian grain harvest reached a record level in the fall of 1982, which subsequently resulted