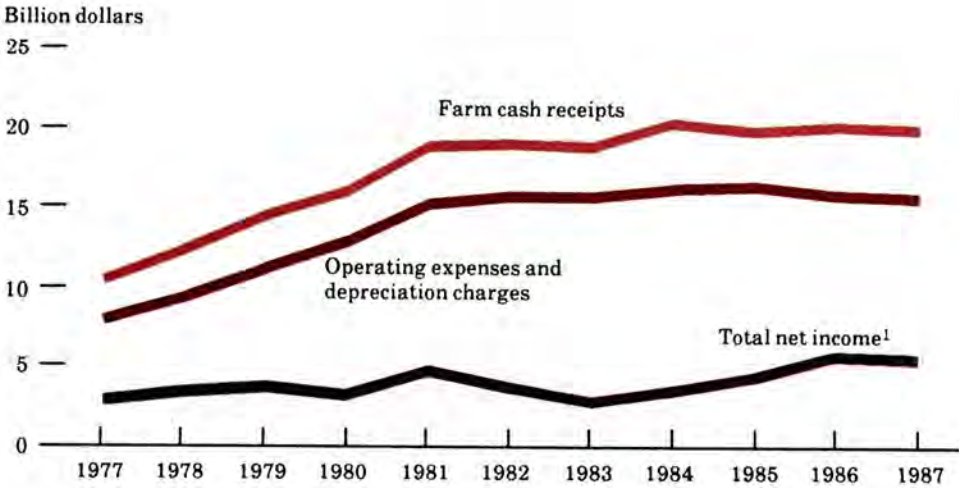


Chart 9.5
Farm income



¹ Total net income = farm cash receipts + supplementary payments + income-in-kind minus operating expenses and depreciation charges + value of inventory change.

to \$5.5 billion. In the same period, total net income rose 18%, from \$4.6 billion to \$5.4 billion. In constant 1981 dollars, realized net income rose 33% between 1981 and 1987 while total net income rose 7% over the same period.

Cash receipts increased 12% from 1981 to 1984, dropped 2% the next year, and showed annual increases of 3% and 2% in the following two years. Farm operating expenses and depreciation charges rose 3% from 1981 to 1985, then dropped 3% in 1986 and 1% in 1987. The decline in 1986 was the first decrease in the annual expenses series since 1957. The last time the series decreased in two consecutive years was in 1932 and 1933.

In 1984, realized net income was \$4.3 billion, up 13% from the 1981 level. Drought conditions in Western Canada in 1985 adversely affected crop receipts. This, combined with higher operating expenses, resulted in a drop in realized net income of 11% in 1985. Realized net income increased 27% in 1986, followed by a further 12% increase in 1987.

Recent gains in realized net income have not resulted from higher cash receipts from market sources, but were due to increases in direct program payments, and decreases in farm operating expenses and depreciation charges.

From 1981 to 1987, net direct program payments made under various federal, provincial and municipal programs rose from \$868 million to \$3,423 million.

Total net farm income has shown greater fluctuations than realized net income because of large year-to-year fluctuations in the value of inventory change. From 1981 to 1983, total net income fell 41%, then doubled from 1983 to 1986 and reached a record level. In 1987, there was a 2% drop in total net income.

9.4.4 Farm cash receipts

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. Also included are any payments, including government payments, made directly to farm operators for specific commodities, or to support production or farm incomes. The prices used to value all marketings are the prices actually received by farm operators. These prices include any bonuses or premiums attributable to a specific product, but are net of storage, transportation, processing and other charges deducted from prices before producers are paid.