

drop in net cash income. However, according to forecasts for 1989, the Prairie provinces of Manitoba, Saskatchewan, Alberta are expected to show declines of 13%, 7%, and 12% respectively.

Realized net income, which takes into consideration depreciation expenses, totalled \$4.73 billion in 1988. Depreciation charges represent an expense incurred by farmers in the production of agricultural commodities. It is worth noting that in the absence of accrual accounting, depreciation charges can accumulate and may not be visible to a farmer working entirely on a cash basis. The record level marked the end of a period of steady growth in realized net income which began in 1985. However, Agriculture Canada analysts predict that realized net income will drop by 8.4% in 1989 to a level of \$4.33 billion. In 1990, realized net income of \$2.6 billion is expected. The two hardest-hit provinces, in 1989, will be Manitoba and Alberta, which are expected to experience declines of 21.7% and 20.8% respectively. In nominal terms, Alberta's realized net income will decline from \$922 million in 1988 to \$730 million in 1989, while in Manitoba the level of realized net income will drop from \$364 million to \$285 million in 1989. In Saskatchewan, realized net income, which totalled \$1.02 billion in 1988, will decline by approximately 11% to \$910 million.

The third and final indicator of farm income, namely total net farm income, gives the best assessment of the financial situation of farmers since it takes into account the value of inventory change, which is a major, albeit unstable, source of potential income. It should be noted that during the 1980s, net income levels rose overall, though not steadily. In 1988, total net income was \$3.46 billion, representing a drop for the second consecutive year.

Total net income figures also reveal the ability of each province's farm economic structure to adapt to market changes and price variations, illustrating the extent of diversification in a province's agriculture. According to Agriculture Canada, net farm income in Saskatchewan fell from \$742.50 million in 1987 to \$207.71 million in 1988, a drop of 72%. However, during the same period, total net income in Alberta increased by 53% to \$935.52 million.

The volatile nature of total net farm income becomes apparent when we note that Agriculture Canada is forecasting an increase of more than 42% in net farm income in Canada for 1989. The total should be about \$4.93 billion. The highest increase in

1989 should be recorded in Saskatchewan where total net income is expected to reach approximately \$1.2 billion, an increase of about 485%. Manitoba should be next in line, earning \$410 million, that is, an increase of 185%. On the other hand, Alberta's total net income is expected to drop to \$819 million in 1989, a drop of 13%.

Agriculture Canada's forecast for 1990 total net income in Canada is \$2.8 billion, 43% below the 1989 level. If projections are accurate, total net income in Saskatchewan will be only \$177 million, a decrease of 86%. Alberta should come in second with a 66% decrease in its total net income, which will drop to \$279 million. This pronounced drop in farm income in 1990 can be explained by rising operating expenses, continued low world grain prices, and by a substantial decline in projected program payments.

It is the Committee's impression that the health of the agricultural industry is unevenly distributed across Canada. A marked decline is anticipated in the Prairies, where commodity prices are internationally determined. Moreover, some assistance will be needed to counteract the heavy subsidization by the United States and the European Community, and to maintain viable farms and adequate farm incomes.

#### Farm debt

For the second consecutive year, outstanding farm debt declined in 1988 to a level of \$22.7 billion, from \$23.2 billion in 1987. Saskatchewan and Alberta accounted for about 48.9% of Canada's total farm debt in 1988, with outstanding farm debt of \$5.52 billion and \$5.59 billion respectively.

In its report on the financing of the family farm, the Committee noted that 12.5% of farmers experienced financial problems in 1987. According to Agriculture Canada's most recent findings, this rate dropped to 11.8% in 1988 and to 9.5% in 1989, indicating some improvement on a national scale. In Saskatchewan, however, the rate stood at 16.2% in 1987 and remains relatively stable at 16.5% in 1989.

While 551 farm bankruptcies were recorded in 1984, the number recorded was 325 in 1988. Regional disparities persist, however. In Saskatchewan, the number of farm bankruptcies rose from 48 to 115 during the same period, whereas the opposite occurred in Ontario, with the number falling from 154 in 1984 to 35 in 1988. In Alberta, farm bankruptcies peaked at 93 in 1986, and decreased to 54 in 1988.