APPENDIX

(*See p. 954*)

STANDING SENATE COMMITTEE ON AGRICULTURE AND FORESTRY

FIFTH REPORT

WEDNESDAY, December 20, 1989

The Standing Senate Committee on Agriculture and Forestry has the honour to present its

FIFTH REPORT

Your Committee, which was authorized to undertake an urgent study, up-dating its special study on Farm Finance of 1987-88, to consider the degree to which existing government policy and programs are responding to the continuing difficulties of Canadian farmers, has, in obedience to its Order of Reference of Thursday, November 9, 1989, proceeded to that inquiry and now presents its final report.

STUDY ON FARM INCOME AND FARM DEBT IN CANADA: THE CURRENT SITUATION

Introduction

In April 1988, when the Committee tabled its report on the financing of the family farm, members concluded that the most visible symptom of the crisis facing Canadian agriculture was the high rate of financial failure in the farm sector.

The Committee made nine recommendations with a view to improving Canadian farm policy and, in particular, to help ensure the long-term survival of family farms. The Committee is pleased to note that most of the issues in its recommendations are discussed in the working paper «Growing Together - A Vision for Canada's Agri-Food Industry.»

Because of the serious crisis that hit Canadian farming during the 1980s, the Committee considers that this is an appropriate time to check the health of the agriculture sector. The Committee met with the principal representatives of the sector to discuss and reassess the financial situation of Canadian agriculture.

Farm income

The various indicators of farm income, namely net cash income, realized net income and total net income, clearly show that agricultural markets are still rocked by unstable prices, both for farm inputs and outputs. Above all, however, an analysis of farm income exposes the regional disparities that characterize the Canadian farm economy.

In 1988, cash receipts from farming operations totalled $22.06 billion, an increase of 4.6% over 1987, whereas expenditures rose at the same rate to total $14.89 billion in 1988. Agriculture Canada predicts that farm cash receipts will reach a record level of $22.7 billion in 1989, which represents a 2.9% increase. A 7.4% increase in crop receipts and a 1% increase in livestock receipts should theoretically offset the anticipated drop in direct payments to producers.

Net cash income, which represents the difference between cash receipts and operating expenses, corresponds to the income available to farmers for repaying farm debt, reinvesting and covering family living expenses. In 1988, net cash income totalled $7.17 billion. However, this is expected to decline by about 5.5% to $6.78 billion in 1989, and a further 25.2% to $5.07 billion in 1990. The decline is caused by rising operating expenses that are expected to increase at a faster rate than receipts. In 1988, Manitoba, Prince Edward Island and Ontario were the only provinces to experience a