

The Economic Well-Being of Farmers As An On-going National Public Policy Issue

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The Economic Well-Being of Farmers As An On-going National Public Policy Issue¹

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When the APF was implemented five years ago, realized net incomes per farm were at virtually zero in Canada. Since then, we have seen the worst five years of realized net farm incomes in the history of the country. At the same time, we have seen corporate agribusiness “earn” record profits. In 2004, when average realized net farm income from the marketplace was negative \$10,000 per farm, forty-one of Canada’s largest agribusiness companies posted the largest profits in their history.

Clearly, if the APF was designed to ensure that all players in the food system except farmers made money, then it was working well.

But in farmers’ eyes, the policy has been an unmitigated disaster.

National Farmers Union 2007, p.5

When are we, in program design, going to face up to the asset-inflation-income paradox with its implications for the soundness of the farm financial structure, the process of intergenerational transfer of farms, the question of factor returns and the ownership and organization of the factors of production?

J.T. Bonnen 1969, p. 497

Abstract:

Aggregate farm income is the standard measure of farm household economic well-being. In Canada farm groups have used a multi-year decline in one measure of farm income – realized net income, to press for increased financial transfers. In the first part of the paper income data is reviewed to assess the magnitude of the decline and whether Canadian farmers are worse off than their U.S. counterparts. In the second part of the paper conceptual issues with farm income as the primary measure of economic well-being are presented and the conclusion is drawn that any measure of farm income is a flawed indicator of actual well-being even though it may be statistically sound, because the underlying assumptions that make farm income maximization the main objective of farm households are no longer tenable.

Key Words: agricultural policy, policy design, farm income, economic well-being, farm household objectives.

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History

For well over 100 years the economic well-being of farmers has been a significant political issue in Canada and the United States. In the latter part of the nineteenth century U.S. farmers charged that railroads and eastern manufacturers conspired to raise the cost of inputs and transport to extract profits that should rightfully have been theirs (Puth). Agrarian discontent happened later in Canada because the settlement of the west happened later, but in both countries the same issues and same demands materialized (Marr and Patterson). These complaints led to the creation of new farm organizations, particularly the Grange, and to new farmer based political parties, the Populists in the United States and somewhat later the Progressives in Canada.

Farmers in both countries were at the time a major political force, but while their protests led to major unrest and to legislative initiatives, they were unable to significantly change either policy or markets. One explanation is that while farmers' were being squeezed, much of the rest of the North American economies were experiencing a sustained period of price deflation and a series of severe depressions (Easterbrook). This made farmers appear relatively well off to the rest of society. With weak economic conditions everywhere and more pressing demands for government funds there was little chance for farm relief. Moreover it is much harder for government to provide financial support to a large share of the population than to a small group, and farmers were still over half the national populations.

By the 1930s conditions had changed. The Great Depression began in the farm sector and in much of rural North America the effects were severe. Farm organizations seized upon this fact to argue that farm depressions induced national depressions. This time low farm incomes and drought led to farm population resettlement schemes in both Canada and the United States as well as the introduction of policies that would provide income support (Cochrane; Fowke). At the time farmers were still a significant, but declining, share of the national population and farming was by far the dominant rural economic activity and a major contributor to national GDP, even though farming was far less dominant than it had been prior to the first World War.

In the 21st century farmers have now become a truly minor share of the national and rural populations, but the national policy concern with the well-being of farmers continues. This reflects a sense that farmers and farming play a larger role in society than their share of the population suggests (Hanson). The ability of farmers, who as a class are now far from being needy, to maintain a high level of public funding, has been widely noted (Bonnen and Schweikardt; Dixit; Freidman; Galbraith; Gardner; Rausser; Schmitz, Furtan and Baylis), and is a source of frustration to both policy analysts and other interest groups who believe that other needs are more pressing.

Net Farm Income

The main way that farmers demonstrate a low level of economic well-being is by referring to net income for the sector. Standard measures of economic well-being almost always include both wealth and income to capture a more complete perspective (Weisbrod and Hansen). Since even farmers with low net incomes tend to have net worth well in excess of the average Canadian or American the exclusion of wealth biases the discussion in farmers favor. By focusing only on aggregate net income the policy debate is shifted to a terrain that inherently favors farmers.

There is a host of issues surrounding the choice of the specific measure of net farm income that is appropriate (Brinkman and Grenon; Murray and Culver; Johnson et. al.). Since different measures of net income can show fairly different results at any point in time there is always the option to redefine the yardstick to enhance the argument. In addition to examining domestic trends in income, farmers also use comparisons to the United States to point to relative disadvantage, or unlevel playing fields. This however adds another degree of complication. In Canada the focus is on realized net income whereas in the United States the main measure is total net income. This creates a technical problem in making international comparisons because the various underlying revenue and expense components, as well as the actual net income measure do not neatly map onto each other.

The significance of the imperfections in using aggregate net farm income is most clear when tax filer data is considered. In both countries farm tax records consistently show that farming in aggregate loses money. This has been a decades long phenomenon that holds in periods of high and low estimates of aggregate net farm income. Even with full tax compliance it is possible that farm income would be negative. Given this situation were farmers simply maximizing net farm income there would be no farm production, because the sensible thing to do in the long run would be to cease farming. But in reality farming can be desirable activity even when it loses money. And farm losses may be an effective way to minimize a tax filer's total tax bill. The result of these complicating issues is that aggregate net farm provides a murky measure of economic well-being, irrespective of which specific version of net income is used.

At present in Canada an important political controversy surrounds farm income (National Farmers Union). In recent years Canadian aggregate net farm income has declined. At the same time U.S. net farm income is seen as being strong. This has led to Canadian farmers and their supporters to argue that current income support programs are inadequate and that the future of Canadian agriculture is at risk because farming is not generating enough income even with current levels of government support to remain viable into the future.

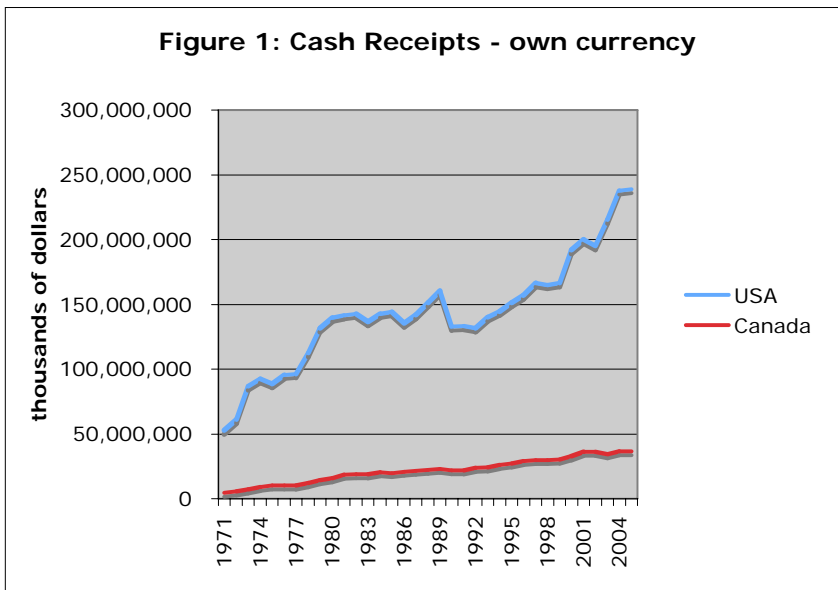
But at the same time there has been far less withdrawal by farmers of funds from stabilization programs than might be expected given the size of the reported income drop. And, given the fact that low incomes have been prevalent for a number of years, plus several years of the farm community arguing that the future is bleak, one might have expected to see considerable declines in farmland values to reflect negative future income expectations. These declines have been few and quite localized for what is described as a national problem. Moreover, in the 1980s, during the last farm financial crisis, there were

rapid increases in the number of farm bankruptcies, but this has not happened as yet. These three phenomena suggest that the economic well-being of Canadian farm families is much better than realized net farm income suggests.

But the crucial question is why? Why do economic conditions in Canada seem to be diverging from those in the United States? And, why do we see major declines in realized net farm income, but no declines of comparable magnitude in what should be coincident indicators, such as land values and foreclosures?

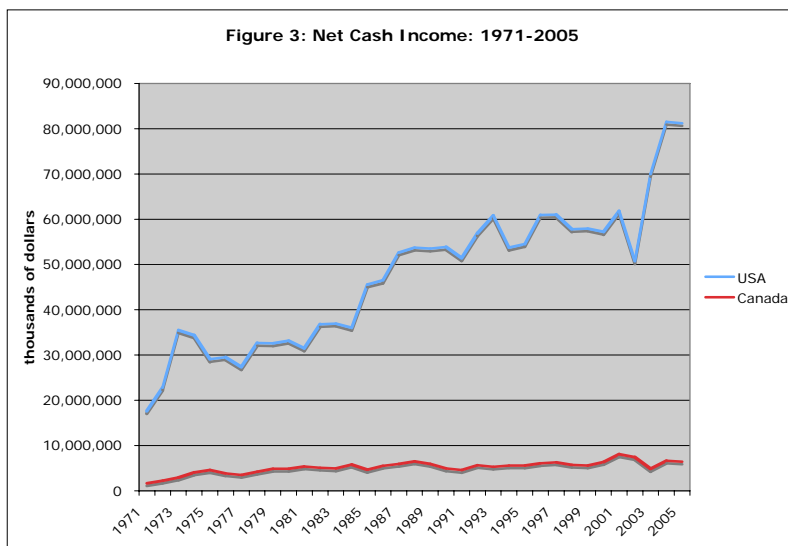
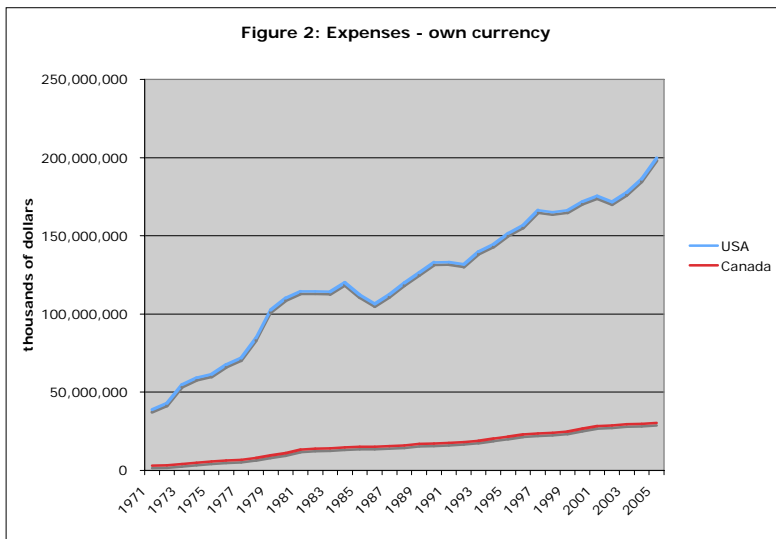
Income Data Analysis

Net income estimates comes from subtracting estimates of expenses from estimates of receipts and consequently net income is not a directly estimated value but a residual. This means that small errors or small changes in receipts and expenses can induce large changes in net income. If we start by comparing estimates of receipts and income in Canada and the United States we see a relatively high correlation over various periods between the two countries. The 1971-2005 period shows the highest correlation in part because it includes both the strong period of global demand in the 1970s and the financial crisis of the 1980s that affected both countries (Table 1). The period from 1996 to 2005 shows the lowest level of correlation but it is impossible to know if this reflects the effects of a shorter interval or a shift in conditions, Graphs of revenue and expense suggest higher growth rates and greater variability over the entire period for the United States, but some of this is the result of the smaller size of the Canadian sector (Figure 1 and 2).



Net cash income is the result of subtracting receipts and expenses and is the simplest measure of net income. Figure 3 shows a spike in U.S. cash income in 2003 following a

drop in 2002. In Canada net cash income appears far more stable, although there has been a downward shift since 2002, but not a radical decline. Figure 4 shows the same data rebased to show changes relative to 1971. This standardization converts the data for both countries to a common scale to more clearly show differences and similarities in movement. For most of the period net cash income in Canada was relatively better than in the United States once the size differences of the two sectors are controlled. In particular Canada shows a higher net cash income in the latter part of the 1990s that reverses in 2002. But what is striking is that using net cash income there does not appear to be a major sector-wide financial crisis.



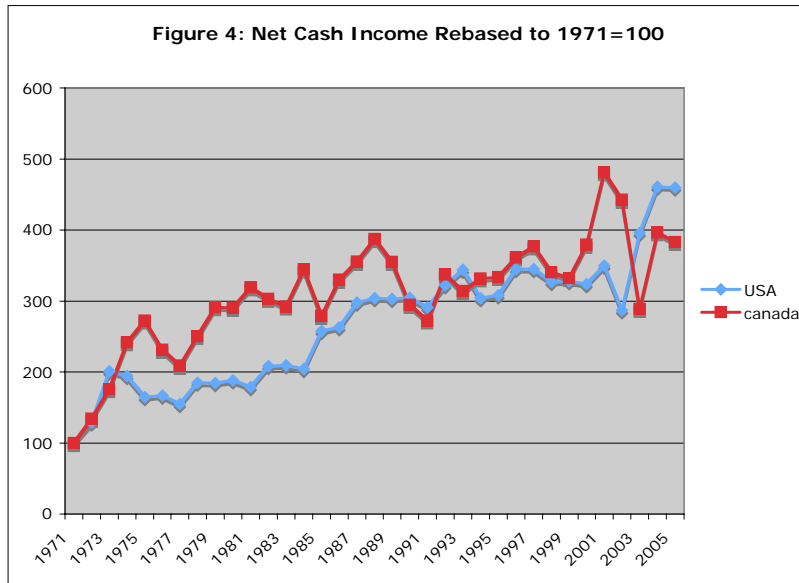


Table 1: Correlation Coefficients, Total Revenue: Canada and USA

1971 - 2005	.946
1971 - 1995	.914
1996 - 2005	.898

Table 2 shows a positive correlation between the countries for net cash income between 1971 and 2005, but not as strong as for the two parent components. However in the 1996-2005 period the correlation turns slightly negative. The negative correlation coefficient associated with the residual, when both parent components remain

positively correlated may be a statistical artifact, or it may suggest that while broad changes in movements of receipts and expenses remain synchronized there is sufficient difference in the specific levels on a year to year basis to have altered the positive correlation of net cash incomes. From Figure 4 it is easy to see evidence of negative correlation in the last decade.

Table 2: Correlation Coefficients, Total Expenses: Canada and USA

1971 - 2005	.985
1971 - 1995	.979
1996 - 2005	.864

Realized net income shows a more radical change. To estimate U.S. “realized” net income an estimate of the capital cost allowance, excluding housing depreciation, is subtracted from U.S. net cash income. Realized net in Canada also includes the value of home consumption of agricultural products but this is an increasingly minor adjustment. Figure 5

plots “realized” net income over the 1971-2005 period. Compared to net cash income there is greater variability and the period since 2000 in both countries shows a considerable divergence. In Canada a large relative decline in realized net takes place with a modest recovery. In the United States the decline is shorter and smaller and the recovery is larger. Figure 6 shows the same data rebased to show changes relative to 1971. It shows that Canada did not recover from the collapse of the 1970s boom period as

well as the United States did. However in the most recent years the range of variability in realized net income does not appear to be any larger in Canada than in the U.S. However, Canada did experience more variability in the 1996-2005 period and there is a clear downward short term trend that contrasts with an upward trend for the U.S.

Table 3 contains correlation coefficients for realized net income. Unlike the previous data the 1971-2005 interval has a weak negative correlation, that seems to be stronger in more recent years. Interestingly the 1971-1995 period has a weak positive correlation that may be the result of the dominating influence of high demand in the 1970s and the financial crisis in the 1980s.

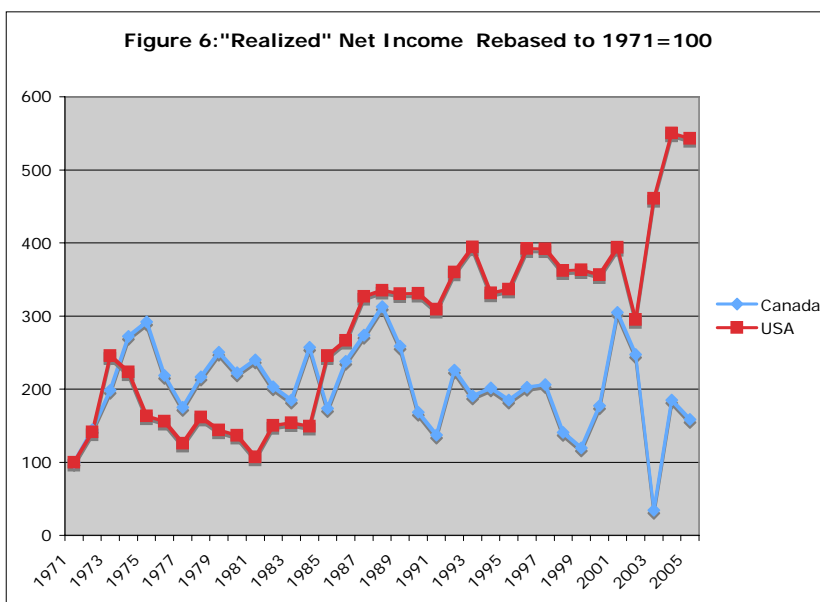
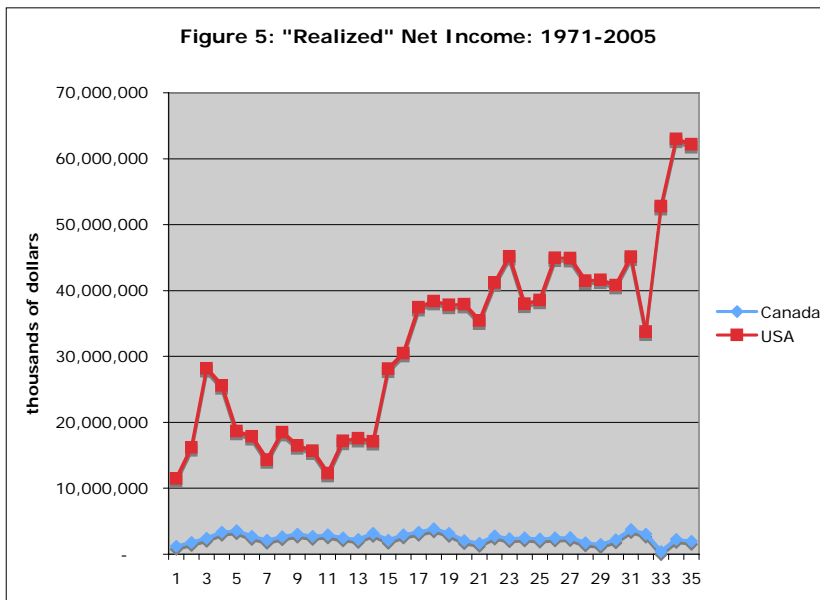


Table 3: Correlation Coefficients, Net Cash Income: Canada and USA

1971 - 2005	.727
1971 - 1995	.744
1996 - 2005	-.128

Table 4: Correlation Coefficients, Realized Net Income: Canada and USA

1971 - 2005	-.192
1971 - 1995	.129
1996 - 2005	-.282

Analysis

A range of explanations have been suggested for the apparent deterioration of realized net income in Canada. These include: too little financial support by government, the adverse effect of a rapidly appreciating dollar on export sales, loss of markets due to border closings, a higher cost structure and too large an investment in depreciable assets that has caused Canadian realized net income to fall. The first three explanations all affect cash receipts and were they the driving factor we might expect to see a shift down in receipts in the last few years relative to the United States. However it does not appear that cash receipts have declined in a major way since the mid 1990s.

Turning to expenses there is also no obvious break in the long term pattern of expenses either in terms of the general trend or relative to the path of U.S. expenses. This suggests that the cost structure of Canadian agriculture is not relatively different than it was in earlier decades. However when net cash income is examined (Figure 4) there is a clear divergence between Canada and the United States between 1999 and 2004. In the first part of this period Canadian farmers were better off than U.S. farmers, while in the latter part they were worse off. Since the mix of outputs in the two countries is considerably different it is not surprising that short term income reversals occur. What is notable, but not surprising, is that Canadian farmers are silent during the period when their income is relatively high, but are very vocal during the interval when it is relatively low. The logic of interest group politics would not suggest any other outcome.

“Realized” net cash income shows that since 1990 Canadian farmers have experienced a steady decline relative to their American counterparts (Figure 6). The early years of the new century are only a continuation of the trend. Since the main difference between realized net and net cash incomes is depreciation there must be some truth to the argument that depreciation trends in the two countries have diverged. However higher depreciation reflects higher net investment in earlier periods. Farmers only claim depreciation charges in years after they have made new outlays on capital goods. This suggests that for at least the last decade Canadian farmers have been more willing to

invest in depreciable assets than their U.S. counterparts². Normally one only expects net investment to take place if the business owners have a generally positive view of the future. Thus while Canadian farmers, like their U.S. counterparts, regularly claim that the future for agriculture is bleak, their investment decisions suggest otherwise.

In conclusion, lower realized net income in Canada seems to be mainly driven by higher depreciation charges. As long as net investment is taking place depreciation may reduce profits, but it does not affect cash flow. Farmers have just as much cash income this year, but they also have the benefit of a tax shield so their after-tax income may actually be higher. Further, investment is associated with an increase in wealth, so Canadian farmers may be trading lower income for higher net worth which would lead to off-setting effects on economic well being.

Is the decline in realized net income a cause for radical policy change in Canada, as the NFU proposes? The data would suggest not. What this situation points out is that net income in any form is at best a partial indicator of economic well being. In particular one or two years of net income data should be interpreted with care because they typically do not suggest a trend. But as long as society continues to rely on net income data to drive its farm policy decisions it should continue to expect farmers to use the data to make the best possible case for their interests, to do otherwise would be irrational. But there is little reason to accept these arguments at face value.

For agricultural economists this is a core issue. For decades the relative well being of farmers has been a major research question. Farm income issues are well known in the profession and the “farm problem” is essentially a discussion of whether net income in agriculture is adequate. Much of the recent literature suggests that the well-being of farm households is better discussed using a broader concept of well being (Blandford and Dewbre; Bonnen and Schweikardt; Freshwater; Gardiner, 1992; Offutt).

Flaws With Aggregate Net Farm Income

Beyond the exclusion of wealth in the discussion of farmers’ economic well being, there are other important reasons why simply looking at aggregate net income should be questioned as a useful measure of economic welfare.

Declining Farm Numbers

Farm support exists to provide benefits to farm families, not to the sector. The focus on aggregate net income ignores an important trend in farm numbers. In both Canada and the United States farm numbers continue to decline, although at lower rates than a few decades ago. Consequently even if the structure of agriculture were constant we could have the same average net farm income as in the past with a lower aggregate net farm

² Recall that farmland is not a depreciable asset. This makes the capital investment decisions of farmers even more interesting since farmland is by far the largest share of assets.

income number. To the extent that the structure of agriculture has shifted to include more life-style farms, that are not really the focus of farm policy, we should use an even smaller number of “real farms” when net income per farm is calculated.

Farm Diversity

Net farm income for the sector has been collected for decades in both Canada and the United States and used as a proxy for the economic health of farm families. In the early period most farms were, full-time family operations, were of similar size and produced a variety of products (Dimitri, *et. al.*). In this context aggregate farm income or average net income per farm, were reasonable approximations of the economic position of the household. Now not only is there a great diversity in farm size, whether measured by sales, land operated, assets or any other category, there is a high degree of commodity specialization, and the farm household may allocate either a large or a small share of its capital and labor to farming.

The result is that aggregate net farm income and its immediate derivative, average net income per farm, no longer represent the position of very many farms. In a heterogeneous population the mean is not very representative of any particular observation. In Canada farms in the supply management sectors have not experienced the large decline in incomes felt by grain and oilseed producers or beef producers. In both countries very small farms consistently report negative net farm income and these farms account for a significant share of farm numbers and farm assets, even though they contribute very little to farm production. If the definition of a farm were changed to exclude establishments with sales less than \$20,000, aggregate net farm income would increase significantly while the value of production would only decline slightly.

Transfer Efficiency Distortions

Farm revenues are composed of market receipts and government payments. The common practice of farm interests is to subtract government payments from revenue and report market income. The presumption is that government payments are a lump sum transfer that have no influence on farmer decisions. Thus, the Canadian Federation of Agriculture (CFA) shows in its most recent analysis that realized net farm income in Canada for the last two decades has been almost totally the result of government payments (CFA, 2007, p.1). However it is clear that most government payments affect farm decisions, so there is no reason to suppose that either market revenue or expenses would be identical if government payments did not exist.

Certainly government payments are a significant component of farm revenue, but it in the absence of these programs it is unlikely that farm net income in Canada would have been virtually zero for more than a decade. Farmers would have altered their behavior and as a result prices, outputs and expenditures would have changed. Transfer efficiency measures the degree of distortion in behavior associated with different types of policy (OECD). Policies that come closest to being lump sum taxes or subsidies cause the least distortion in behavior because the amount received or paid does not vary with the farmer’s decision. Virtually no policy meets this criteria and some have a large influence on behavior.

Quotas, price supports and input subsidies all induce significant changes in behavior making it impossible to cleanly decompose market income and government payments.

Income Variability

The negative effect of small farms on aggregate net farm income is widely recognized, but in all sales classes a significant number of farms report negative farm incomes in any

sales class	Canada	USA
L.E. \$50K	71%	
G.T. \$50K & L.T. \$100K	38%	
G.T. \$100K & L.T. \$250K	22%	33%
G.T. \$250K	15%	17%
All farms	44%	30%

Canadian data from 2006 Census of Agriculture
U.S. data from 2004 ARMS

given year. While the incidence of negative farm incomes is higher in the lower sales class categories it is still a significant share of the large commercial farm category in both countries (Table 4). Farms may have negative farm income for a variety of reasons. Crops could fail, output prices could decline, or the farm could

have made a major new investment or prepaid major expenses. Even if we were to believe that farm operators act to maximize net income, which is problematic of itself, we should not presume that they maximize net income on a period by period basis. In many instances lower profits or losses in any given year may be required to increase future profits.

Recent Canadian data show that farm losses can be persistent in all sales categories (Table 5). While the percentage of farms with multi-year losses is higher for low sales classes there are a surprisingly large number of commercial farms with multi-year losses. One explanation for this is poor management. If this were the case then one might

Years of negative NFI	none	4-Jan	5 or mor
Sales class			
L.E. \$50K	15%	38%	57%
G.T. \$50K & L.T. \$100K	38%	37%	25%
G.T. \$100K & L.T. \$250K	54%	34%	12%
G.T. \$250K	51%	37%	12%
All farms	27%	32%	41%

Source: Agriculture Canada data analysis

question whether public policy should provide subsidies that keep inefficient producers operating. Alternatively we know that many large farms are part of a complex portfolio

of businesses, and in this case losses may be part of an active tax liability management strategy that increases total household after-tax returns.

Tax Compliance

Farmers have clear opportunities to manage the timing of major expense and receipt items and thereby manipulate net income to alter tax burdens. Nothing in this is illegal. But because the household and the farm enterprise are co-located there are ample opportunities for farmers to make non-deductible household purchases farm expenses which makes them tax deductible. In addition, cash transactions remain common in much of agriculture and this can contribute to underreporting of income.

Tax compliance studies show that farmers have one of the highest incidences of under reporting income and over reporting expenses which clearly reduces taxable income and is illegal (Gardner, 1960; Clotfelter, 1983). Clotfelter found that roughly half of all farmers underreported taxable income in 1969 with farms with lower incomes having the largest percentage under reporting. His estimate of underreporting on Schedule F was 65% of the actual taxable income (p.373). Tax compliance analysis is generally not published and there have been major changes in tax rates, payment methods and record keeping since 1969 so it unlikely that these estimates are still accurate. However since farmers are probably smart enough to report consistent revenue and expense records to all government agencies there is a high likelihood that USDA and Statistics Canada net farm income estimates are similarly downward biased.

More recently a novel approach to imputing tax compliance provides additional evidence of under-reporting by those filing a Schedule F in the United States (Feldman and Slemrod, 2007). Using a large sample of tax returns the authors impute “true income” by comparing the charitable contributions for individuals with only wage and salary income to the charitable contributions for those with additional income schedules. They argue charitable contributions are based upon the “true income” of a tax filer, not the reported income (pp. 333-334). They develop a compliance ratio of 25.9 % for those reporting positive farm income in the 1999 tax year (p. 340). For those reporting negative farm income they estimate that each \$100.00 of reported loss is associated with an actual positive farm income of \$304.00, for a net change of \$404.00 per \$100.00 in farm losses.

Farm Income and Farm Assets

Farmers are widely held to “live poor and die rich”. As noted previously, both income and wealth should be included in any assessment of economic well being. In the case of farming there is even more reason to do so because there are strong incentives for farmers to convert income into wealth through the accumulation of farmland and other assets (Barichello and Klein; Freshwater and Hedley). It is widely held that farm program benefits are capitalized into land values and become part of the cost structure of agriculture. Moreover farmers have strong incentives to control farmland, typically by ownership, for bequest purposes to allow occupational succession and to achieve economies of size.

Painter concludes that in the five major agricultural provinces of Canada that while the returns to farm labor and management have been stagnant or declining over the last 20 years, the returns to farmland have been strong and comparable to stocks (Painter, 2005). He notes that while farm families have closed the gap in terms of income with non-farm families they have clearly exceeded non farm families in wealth accumulation (p.16). USDA estimates of returns on assets over the same period also show that wealth accumulation through farmland appreciation is an important element of economic well being.

Broader Household Objectives

Initially the focus of income support policy was the farm household, but in the 1970s it switched to the farm enterprise (Freshwater, 2007). As a result the implicit assumption in income analysis is that the farm household maximizes farm income. For a household with only farm income the assumption is not too stringent, but for the vast majority of farm households in Canada and the United States the behavioral assumption of maximizing farm income is probably incorrect. This means that the level of farm income is less central to the economic well being of the farm household than standard farm policy analysis assumes.

Low farm incomes may have fewer consequences than in the past if farm income plays a smaller role in the total decision process. Indeed, lower farm incomes may be the result of conscious decisions by the household to reallocate capital and labor to alternative uses that generate a higher after-tax rate of return, including the acquisition of farm assets. Returning the analytical focus to the farm household puts the farm as one of a number of enterprises and reinforces the idea that the objective is household utility maximization with farm management as one element of the decision process.

Portfolio Effects

For the majority farm owners the farm is best seen as part of a portfolio of activities and investments that offer income and in some cases capital gains. While the key behavioral changes from this approach are captured in the idea that households have broader objectives than simply maximizing farm income there is an important additional portfolio effect. Farm income tends to be weakly positively or weakly negatively correlated with most other income sources (Da-Rocha and Restuccia).

Weak positive, or negative, correlations result in situations where low levels of farm income are associated with relatively high levels of other income. For the farm household with multiple income sources low farm income may in fact be associated with high total household income. Such a situation would provide an explanation of why there have not been large withdrawals from income stabilization accounts, declines in farmland values or sharp increases in farm bankruptcies associated with the reported low levels of aggregate realized net farm income.

Because of the absence of a strong positive correlation of farm income with other categories of income, farmland is becoming increasingly attractive as an investment for non-farmers. Large amounts of farmland are now leased by farm operators, which has

reduced their capital investment. But an important effect of the separation of ownership and farming activity has been to shift that part of net income that was the residual return to farmers' capital (owned farmland) from the net income statement into an actual cash expense (cash lease) or a reduction in revenue (share lease). Net farm income declines as a result, because there is no longer an asset on the balance sheet that has to be paid, but is the economic well-being of the household lower as a result?

Conclusion

Every developed country subsidizes its agriculture, in part because farmers continue to create politically effective arguments for why they are deserving of public support. However while there are strong arguments for supporting farmers the decision to support them and the arguments for their support should be based on the interests of society at large, not simply on the special interests of the farm lobby. In particular, it is increasingly difficult to use the economic well-being of farmers as a group as a justification, once one moves from relying solely on aggregate net farm income.

Rocheffort and Cobb make a compelling argument that in public policy how an issue is framed is crucial in determining the policy outcome. For decades farmers have controlled the discussion of support programs by keeping the focus on aggregate net farm income as the sole measure of their economic well-being. Over this period they have learned to shape both the debate and to a considerable extent the actual level of net income in a way that favors their interests (Freshwater, 2007). At the same time it is increasingly clear that farmers are neither as disadvantaged as they once were (Painter; Mishra et. al.) and that aggregate net farm income provides an incomplete picture of financial conditions.

Because the sector is increasingly heterogeneous in terms of income, resources and capacity, aggregate net farm income and average net income per farm accurately describe the condition of only a minority of the farm population. Certainly there are still farmers with inadequate income, but as Hum Simpson and Kraft note traditional farm programs are unable to effectively target support to that group because their farm assets and farm income are too small to make any farm based program effective. Moreover new arguments for farm support are evolving that are based upon the provision of environmental services and other public goods. They present a different rationale for public support on a fee for service basis rather than an entitlement. As they are introduced the terms of the debate will have to be redefined to incorporate a new set of arguments.

The current conflict over the adequacy of farm income in Canada epitomizes the problem. Farm organizations argue that they are in the midst of one of the worst financial crises of all time, and that the very future of agriculture is at risk. They also point to strong net income in the United States as evidence of the inadequacy of current government support. When realized net incomes in the two countries are compared (Figure 6) it is clear that over an extended period there is little correlation between the two countries on this measure, despite high correlations on the major underlying components of realized net income. It appears that higher levels of depreciation in

Canada largely drive the difference, but high depreciation amounts reflect high rates of net capital formation by farmers, which is of itself inconsistent with a declining sector. And, most tellingly, other than the decline in aggregate realized net income, there is little evidence of a national crisis. Land values remain robust, farm foreclosures are not spiking, farmers are not drawing down their stabilization accounts.

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