$91,000, compared to $72,500 in the United States. Obviously, there are dramatically different factors at work in Canada which have contributed to higher relative capital values and farm debt. The declines in U.S. capital values and farm debt suggest that a major economic and social adjustment has occurred in that country.

The relative inflation rates between the two countries as well as economic policies and financial conditions have brought about different situations.

B. FACTORS INFLUENCING CAPITAL STRUCTURE AND DEBT

This section will look at selected economic factors which will help to explain the different adjustments which have occurred in agriculture in Canada and the United States and which set the stage for understanding and analyzing future adjustments which may occur.

1.0 Net Income

This section begins with a comparison of the relative changes in net farm income between Canada and the United States. (Figure 2.3). Like the two previous figures, relative changes in income are compared to the average of the three years 1970 to 1972. The average net income for the period was $1.4 billion and $15.1 billion for Canada and the United States respectively. The relative level of net farm income in Canada has remained above that in the United States, particularly in the early 1980's. Both countries saw net income dramatically increase in the early 1970's, however, the growth in income was higher and more sustained in Canada. U.S. farm net incomes began to decline in 1973 and remained at a lower level in comparison with that of Canadian farmers through to the early 1980's. U.S. farm incomes began a steady level of growth beginning in 1983, which has continued through 1990.