

Each of these futures indicates unique impacts on the welfare of farmers. The most likely, or base case situation, suggests that many of the existing problems and issues facing farmers will remain. The implications will be that the industry will require continued significant subsidization to support the current imbalance between debt, market income levels and asset values.

The possibility that recent high energy prices could translate into an input price shock has a sharp impact. A three percent higher price shock results in a rapid deterioration, given current economic outlooks for prices and interest rates. An increased number of farmers move into the severe stress category. Interestingly, the number of farmers in the insolvent category does not change significantly. The data suggest that the latter group is increasingly becoming unresponsive to financial remedy through future economic prosperity.

The changes in the number of farmers in the four risk categories between 1989 and 1992, for each projection, are summarized in Table 5.3. The relatively small changes which are occurring, are indicative of agriculture's stagnant position. The potential for major price changes resulting from the GATT discussions will likely bring about near-term changes to the structure of agriculture.

**Table 5.3**  
**Summary of the Number of Farmers by Risk Classification and Simulation**

| <b>Risk Classification</b> | <b>1989</b>    | <b>Base Case</b> | <b>Higher Costs</b> | <b>Optimistic</b> | <b>Higher Int. Rates</b> | <b>Lower Int. Rates</b> |
|----------------------------|----------------|------------------|---------------------|-------------------|--------------------------|-------------------------|
| Stable                     | 145,518        | 146,311          | 134,305             | 154,569           | 144,268                  | 145,235                 |
| Moderate                   | 43,697         | 42,905           | 49,691              | 35,352            | 43,045                   | 43,681                  |
| Severe                     | 12,605         | 12,590           | 17,307              | 13,396            | 14,224                   | 12,890                  |
| Insolvent                  | 47,948         | 47,963           | 48,466              | 46,451            | 48,232                   | 47,962                  |
| <b>Total</b>               | <b>249,768</b> | <b>249,768</b>   | <b>249,768</b>      | <b>249,768</b>    | <b>249,768</b>           | <b>249,768</b>          |

Source: Ashmead Economic Research Inc.