Declining interest rates are a significant part of the solution to farm financing problems and have an immediate impact on the 60% of farm debt borrowed at floating rates. In other words, if interest rates had not declined from their peak in 1981, farm interest costs would be about $1 billion more than they are today.

TABLE 2.4

INTEREST ON INDEBTEDNESS AS A PERCENTAGE OF TOTAL OPERATING EXPENSES*

	1986
Canada	14%
Newfoundland	5%
Prince Edward Island	11%
Nova Scotia	8%
New Brunswick	13%
Quebec	13%
Ontario	12%
Manitoba	12%
Saskatchewan	15%
Alberta	17%
British Columbia	18%

* not including depreciation

Source: Statistics Canada, *Agriculture Economic Statistics* (21-603), Ottawa, 1986.

B. Meeting the Challenge

In response to continuing farm financial problems federal government assistance programs and expenditures, including financial assistance, have expanded substantially in this decade. In 1986 in credit alone the federal government held 24% of the debt outstanding in Canada and extended 4% of the credit. Among the federal government initiatives since mid-1984 directed toward farm financing are the following:

— a special interest rate reduction program for FCC's clients to refinance mortgages at interest rates reduced by about 4.5%;

— FCC's Shared Risk Mortgage Program to reduce the impact of interest rate fluctuations by setting a 2½% ceiling on interest rate changes, and sharing the costs and benefits between borrowers and lenders;

— FCC's Commodity Based Loan Program to reduce the impact of income variability and confer cash flow advantages to the borrower with low equity relative to debt by offering low interest rates on loans and linking debt payments to commodity prices;

— revision of the *Advance Payments for Crops Act* to increase advances for all eligible producers of storable crops except wheat, barley and oats to $30,000;