fertilizers. R.M. Loyns and Colin A. Carter, writing in *Grains in Western Canadian Economic Development to 1990*, stated that:

> ...[T]he 1973-76 period was extremely buoyant for Prairie farmers and farm related industries. Net farm incomes set records, machinery sales boomed, land prices soared, pesticide and fertilizer sales took off, and the beginnings of a new era in Prairie agriculture were established on the basis of the new-found funds that existed in those years. (p. 32)

They point out that, in general, Western Canadian grain production entered the 1980s in a reasonably healthy state.

Western agriculture, and the grain industry in particular, began to experience problems as interest rates rose rapidly. The large debt incurred by many farmers, who had been encouraged by rising grain prices to expand at very high land costs, was unmanageable. As interest rates fell, grain prices also began to decline. The incentives they had received to plant new land and to produce to the limit for a growing world population had not taken into account the major advances of a number of former grain-buying nations, France and India in particular, to supply their own needs and even to export; in addition, the growing debt of Third World buyers left them unable to continue grain purchases. The result was a surplus of unsaleable grain. Subsidies for the production of grain for export became a significant component of the agricultural income of producers in other major grain-producing and grain-exporting countries. The competition in grain markets drove prices down further and put Canadian producers, in particular, at a disadvantage. However, because of the high quality of the grain, Canada's regulation and long-term contracts negotiated by the Canadian Wheat Board, sales have remained high. Nevertheless, in October 1987, the price of Canadian wheat on the international market was $2. 50CDN per bushel while U.S. farmers, for example, received $5.00CDN per bushel after government payments.

The relationship between markets, income, structure, general economic conditions and decision-making is quite clear -- in hindsight. Farmers and farm lenders were inevitably influenced by their recent experience and by projections for the future. The past determined immediate income levels, the level of input and machinery purchases, and the level of solvency. Projections for the future determined whether farmers would remain in the business, the type of crop and the acreage planted.