TABLE 2.3

CASH FLOW AND DEBT SERVICING REQUIREMENTS, CANADA

	Cash Flow	Debt Servicing Requirements	
	$ million	$ million	per cent of cash flow
1971	1974	534	27.1
1972	2679	567	21.2
1973	3453	746	21.6
1974	4726	949	20.1
1975	5284	1133	21.5
1976	4840	1403	29.0
1977	4476	1618	36.1
1978	5505	1970	35.9
1979	6614	2449	37.1
1980	7018	2969	42.4
1981	8654	3989	46.0
1982	8169	4064	49.7
1983	7644	3637	47.5
1984	8767	3945	45.0
1985	7852	3586	45.7
1986	8837	3153	39.8

Source: Agriculture Canada, *Farm Financial Assessment Report*, April 1986, p. 25.

In 1981, total operating expenses rose 20% over 1980 and interest payments claimed over 19% of total operating expenses. During much of 1981, interest rates rose sharply and many farmers with floating interest rate loans or who were arranging mortgage renewal faced potentially crippling debt payments. Interest payments are still a major expenditure, particularly in western Canada where they comprise over 15% of provincial total operating expenses (Table 2.4).

Among the one-third of Canada's farmers who are the most productive yet carry most of the farm debt, interest payments represent a much larger percentage of their total expenditures. Studies conducted by the Farm Credit Corporation, the Saskatchewan Wheat Pool and others confirm that approximately 30% of producers are responsible for about 75% or more of farm debt, and therefore 75% of the interest paid. For those operators, interest expenses may account for more than half of their total operating expenses. In comparison, farmers whose only debt is operating credit obtained to produce a crop may incur interest expenses representing only 5% of total operating expenses.

The Committee notes that a combination of international and domestic macro-economic factors (e.g. U.S. interest rates; the value of the Canadian dollar; federal government commitment to fiscal responsibility) have encouraged the decline in interest rates in the Canadian economy as a whole and have helped to push FCC interest rates to their lowest levels in seven years.