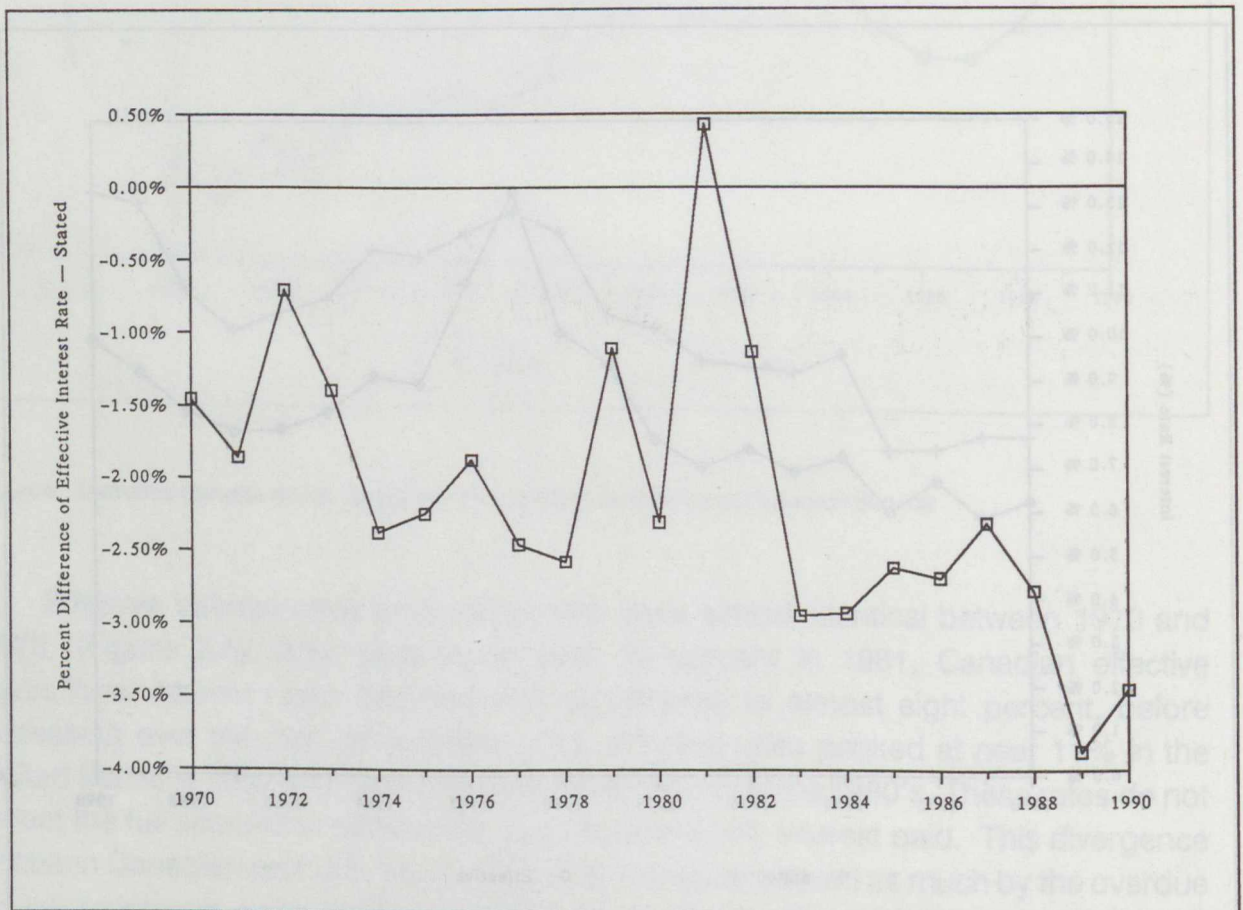


The major implication of a large gap and higher farm debt delinquencies, is that farm debt can rise as unpaid principal and interest payments accrue. Figure 2.8 illustrates the annual amount of interest which is estimated to have remained overdue. Between 1975 and 1989, overdue interest payments totalled \$5.2 billion. The amount of overdue interest and principal grew particularly in the early 1980's and again in the last few years. A large proportion of this debt would have been refinanced or "termed out" into new debt. Frequently, the technique for resolving the problem of debt delinquencies in agriculture has been to refinance the overdue amounts into new loans. The willingness of government and commercial lenders to refinance delinquent loans has been a major force in maintaining high levels of farm debt in the 1980's.

**Figure 2.7**  
**Difference of Effective and Stated Interest Rates, Canada, 1970 – 1990**



Source: Statistics Canada & Agriculture Canada