forecast of the expected situation in the farm economy in 1992 was subdivided into provincial projections by the Farm Credit Corporation. Ashmead Economic Research Inc. integrated further adjustments to gauge changes in farm income at the commodity level, particularly for cash crop, livestock and supply-managed enterprises. In other projections, changes in farm income and operating expenses were modified according to the assumptions indicated in the footnotes and the Chapter 4 discussion of each particular scenario.

Total liabilities and long-term liabilities are affected by changes in farm revenue. Accordingly, the changes in their ratios are estimated to be inversely one-half of the percentage change noted for total revenue. For example, in the base case projection, where farm revenue for cattle enterprises is forecasted to increase by 5 percent, total liabilities are estimated to decrease by 2.5 percent. The change in the liability ratios from 1989 is calculated as 1.00 minus 0.025 = 0.975, which is rounded to 0.97.

Changes in the value of total assets are derived from the Land Value Forecasting Model of Ashmead Economic Research Inc. This auxiliary of the Farm Finance Model is used to forecast average land values as they are affected by such factors as long-term credit extended, real interest rates, the initial price of wheat and the general inflation rate. The degree of change forecasted for a provincial average land value is apportioned on the basis of the ratio of real estate value to total assets. For example, in a province where the average land value is projected to decrease by 10 percent and real estate represents 75 percent of total farm assets, the adjustment to asset value in the projection is only 75 percent of the 10 percent change, or a decline of 7.5 percent. Therefore, the change in the ratio from 1989 is calculated as 1.00 minus 0.075 = 0.925.

Variations in off-farm income and farm living expenses are estimated on the basis of general price changes measured by the Consumer Price Index. Accordingly, in the base case projection where the Consumer Price Index is expected to increase by 9 percent between 1989 and 1992, the ratios of off-farm income and living expenses in 1992 become 1.09 times the level in 1989. The 1989 values are given in Appendix A.

The interest paid data at the bottom of each projection table indicates the percentage that interest payments represent of total debt outstanding under the expected conditions. The starting point values for each province in 1989 were obtained from Statistics Canada. The starting point percent value is adjusted by the relative change expected to occur in commercial interest rates as represented by the prime rate