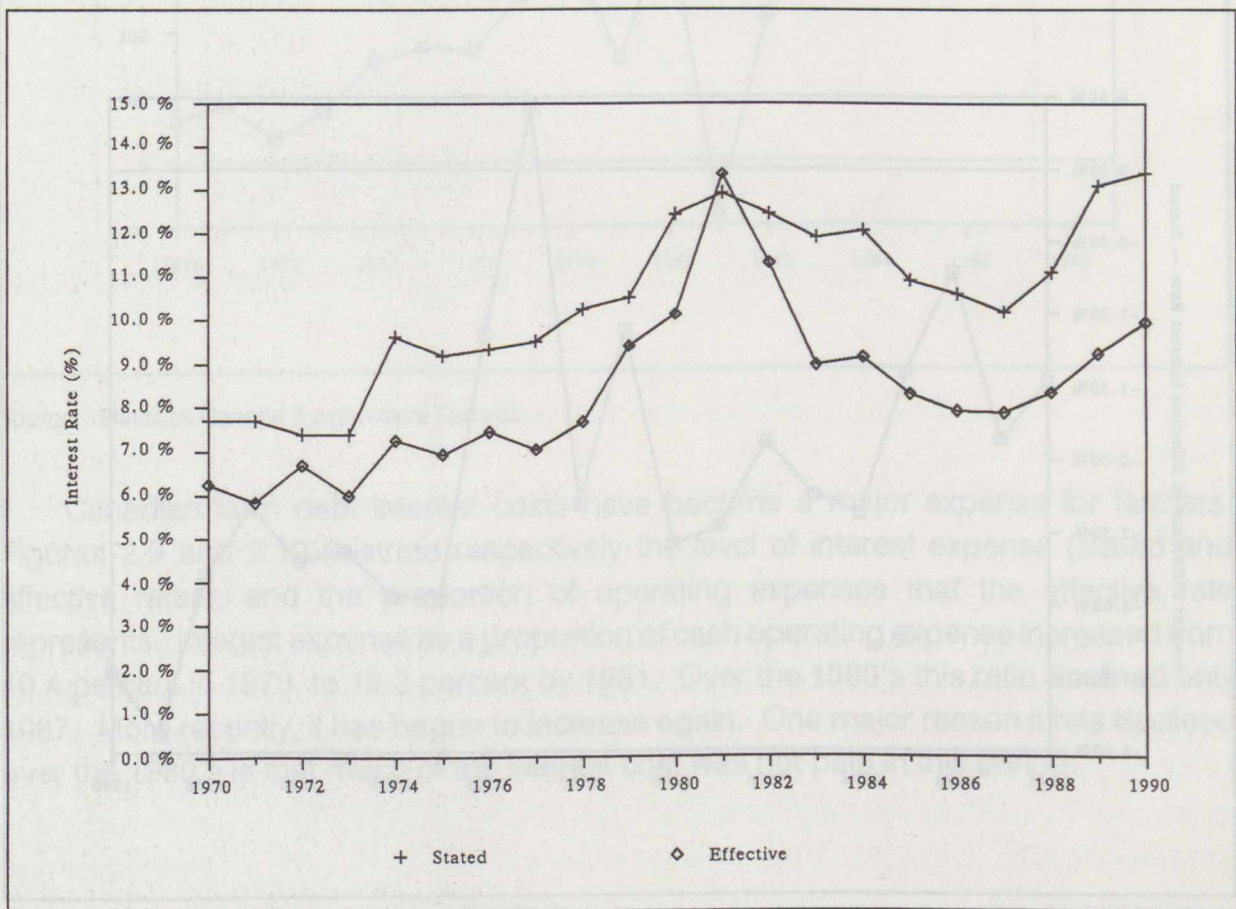


Figure 2.6 compares the effective interest paid and the full accrued rate over the past two decades. The accrued or stated agricultural interest rate is the weighted average cost of farm debt, after adjustments for any interest rebates. The effective interest rate paid for almost all years was significantly less than the stated or accrued rate. What is the significance of this difference? One measurement of financial stress in the industry is represented by the width of the gap between the accrued rate and the actual interest rate paid. A widening gap shows that farmers are unable to pay all the interest costs. The gap between the effective and stated interest rate is shown in Figure 2.7. The zero line indicates where there is no difference. Except for 1981, the effective rate has been between one and four percent below the stated rate. The greater the size of this interest rate gap, the higher the level of farm debt delinquencies.

**Figure 2.6**  
**Stated and Effective Interest Rates, Canada, 1970 - 1990**



Source: Statistics Canada & Agriculture Canada