APPENDIX B

SIMULATION ASSUMPTIONS

NOTES ON THE INTERPRETATION AND DERIVATION OF THE RATIOS IN APPENDIX B

The ratios in each of the following tables show possible changes in farm financial conditions in 1992. The ratios indicate the relative changes in certain economic and financial factors that might occur between 1989 and 1992. The 1989 values that are used as the starting point for the projection presented in Chapter 4, are those obtained from the FCC 1990 Farm Survey. A summary of those values is given in Appendix A. The values in that appendix may be multiplied by the corresponding ratio from Appendix B to obtain a dollar value indicative of the magnitude of the projected change, but not necessarily the exact value that might result from such change.

The ratios in each table may be read as follows. In cash crop enterprises in British Columbia, for example, the base case projection indicates that, in 1992, the value of total assets will be 0.94 or 94 percent of the 1989 value, while total liabilities will be reduced to 0.99 or 99 percent of the 1989 value. Similarly, total farm revenue in this enterprise is expected to increase by one percent and farm operating costs by 7 percent or 1.07 times the amount in 1989. Finally, off-farm income and living expenses could each increase by 9 percent or 1.09 times the amount in 1989.

In the base case projection, the expected changes in total farm revenue and operating expenses are derived from the WEFA (Wharton Econometric Forecasting Associates, Canadian Agricultural Forecasting Group) forecast of November 1990. This