

SUMMARY AND CONCLUSIONS

The foregoing capital and debt analysis provides both positive and disturbing results for farmers and policy makers.

The review in Chapter Two of the recent historical period suggests that the Canadian agricultural economy has been developing particular stress points which are of concern. For example, ability to reduce the overall level of debt has been limited during a period in which the U.S. has effectively dealt with its debt problem. Higher relative income in Canada in the early 1980's, partially funded through income transfers to the sector, has maintained the debt level. Other lending programs of government and private institutions, which have either subsidized or refinanced overdue loans, have also served to maintain the level of debt. The amount of overdue interest expense is a telling indicator of the degree of financial difficulty and extent of debt refinancing. Asset values also appear to be high relative to the net income of the sector and the experience in the United States.

As the industry faces the possibility of: 1) falling incomes due to reduced ability of the government to sustain its level of support; and 2) lower grain and oilseed prices, adjustments will occur in asset values, the level of debt, and in the ability of farmers to remain viable.

One indicator of financial difficulty is the amount of excess debt. Excess debt is that part of the industry's total debt which is estimated to not be repayable under current economic conditions. The study has shown that excess debt has remained almost constant between 1987 and 1989 at just under \$5.0 billion. This represents about 22 percent of the total national agricultural debt.

Further evidence of difficulty shows up in the distribution of farmers by stress category. The number of farmers in the most difficult circumstances, the insolvent category, has remained high both in 1987 and 1989. It is estimated that almost 48,000 farmers across Canada are in this extremely difficult situation. The classification does not mean that they are all bankrupt, but that some major restructuring of assets and debt will be required. Even with such changes, their future prospects will not be bright.