The scope of the FCC's categories are broader than those of Agriculture Canada: a farmer would fall into one of the two "difficulty" categories if he met any one of the criteria. Multiple criteria have to be met to fall into any one of Agriculture Canada's "difficulty" categories.

Both sets of estimates suggest that the number of farmers with financing difficulties increased over the course of 1986 and that creditors took a more optimistic view of the farmers' financial situation than the FCC's criteria allow. The reader is reminded both that the definition of financial difficulty is somewhat arbitrary and that a significant number of farmers are experiencing debt financing problems.

The Farm Credit Corporation used its 1984 Farm Survey to obtain estimates of today's conditions. Adjustments were made to asset, debt, income and expense values to approximate current conditions. The results are shown in Table 2.1. As of January 1, 1987, it was estimated that 8.0%, or 13,760 Canadian commercial farmers, could be in a nearly insolvent financial position. Proportionately, the greatest number were in Saskatchewan, followed by Alberta. This group of farmers accounts for about $1.7 billion of debt. A second group of farmers are in a cash flow difficulty category. Some 23% of farmers are in this group. Those with cash flow difficulties have $10.3 billion in agricultural debt. The potential exists for some of the debt of both these categories to be non-collectable and lost by lenders. Further projections of agricultural conditions into 1988 with current information suggest that the number in the insolvent category could increase.

TABLE 2.1

CLASSIFICATION OF FARMERS BY DEGREE OF FINANCIAL STRESS BY REGION

(Excludes farms with sales less than $20,000)
as at January 1, 1987

Region	Insolvent	Cash Flow Difficulty	Stable	Number of Farmers
Alberta	9.9	22.2	67.9	33,352
Saskatchewan	11.4	28.3	60.3	46,530
Manitoba	5.4	18.3	76.3	17,258
Ontario	6.3	21.6	72.1	40,155
Other Provinces	5.1	21.8	73.1	34,442
Canada	8.0	23.2	68.8	171,465

Source: Farm Credit Corporation, Brief to the House of Commons Committee on Agriculture, March 24, 1987, p. 6.

The Farm Credit Corporation defined farmers as "insolvent" if 40% or more of farm sales were used to service debt, if borrowings exceeded 110% of investments, or if equity was less than 15%. Farmers were classified as being in "cash flow difficulty" if 25% to 40% of farm sales were used to service debt, borrowing was 105% of investment, or equity was between 15% and 40%.

Based on a March 1986 survey, Agriculture Canada has estimated the number of farm borrowers in financial difficulty (Table 2.2). For the purpose of that assessment, farm borrowers in financial difficulty were disaggregated into three categories of financial stress defined as follows: non-viable farms which were generally considered insolvent, with creditors having initiated demand for payment or intending to initiate such action; deteriorating farms where the financial situation was eroding and