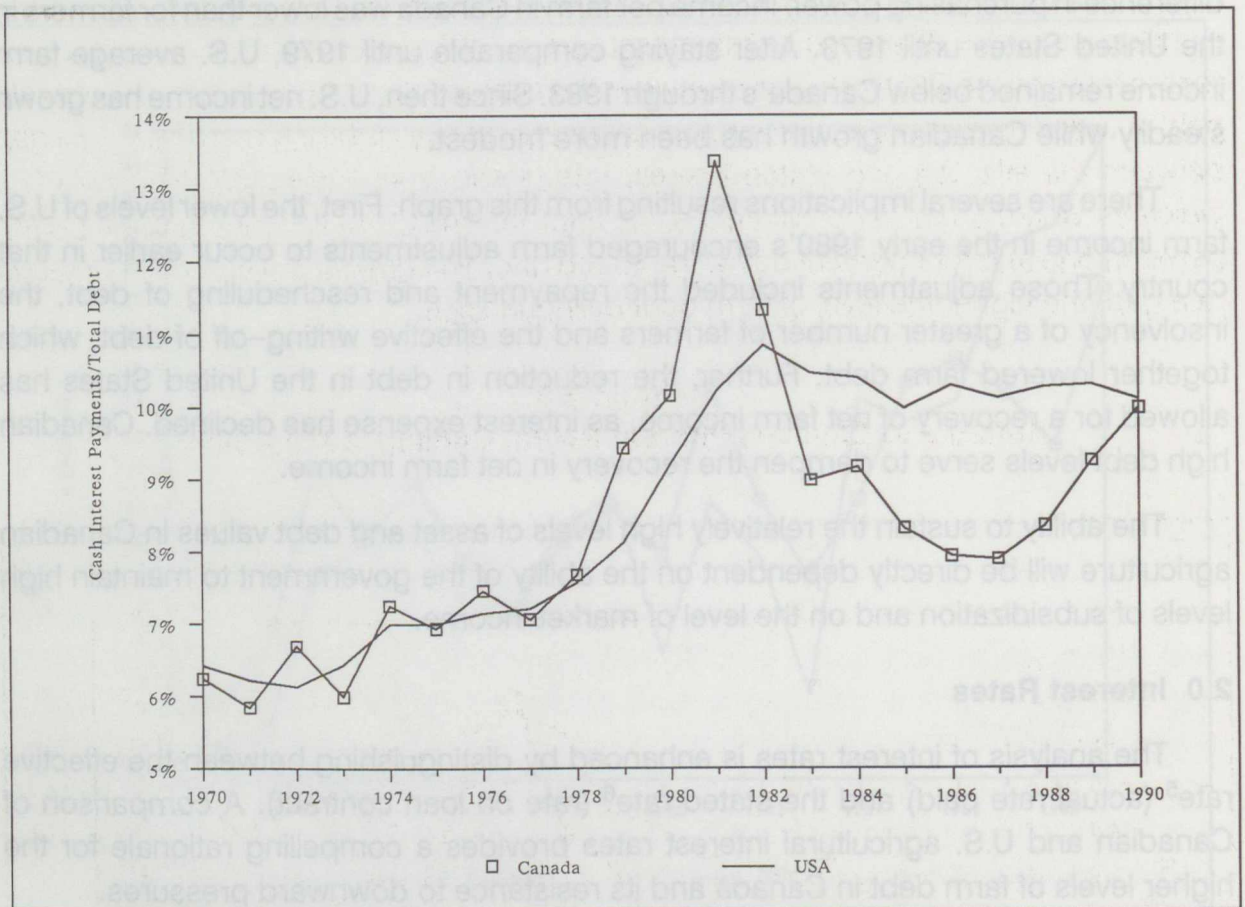


Figure 2.5
Effective Agricultural Interest Rates, Canada and the United States, 1970 – 1990



Source: Statistics Canada & U.S. Department of Agriculture, Economic Research Service

Effective interest rates paid by farmers were almost identical between 1970 and 1978. (Figure 2.5). After peaking at over 13 percent in 1981, Canadian effective agricultural interest rates declined very significantly to almost eight percent, before increasing over the past three years. U.S. effective rates peaked at near 11% in the United States in 1982 and have remained near 10% over the 1980's. These rates do not reflect the full accrued or stated rate, but represent only interest paid. This divergence between Canadian and U.S. effective interest rates is explained as much by the overdue or unpaid interest, as by a difference in market rates. The lower effective interest rates in Canada on farm debt since 1983 may partially have contributed to the higher levels of debt. This is explained further in the following paragraphs.