D. Farm Debt in Canada

From 1971 to 1981, farm debt in current dollars quadrupled from $4.6 billion to $18.4 billion, for an average annual increase of 14.8%. During the same period, the value of farm capital in agriculture increased by an average annual rate of 18.5%, rising from $23.9 billion to $130.4 billion, as illustrated in Table 3. This growth in the value of farm capital was mainly caused by inflation. Even in real terms, the value of farm capital grew faster, at an average of 8.6% per annum, than farm debt, which grew at an average of 5.3% per annum.

Between 1981 and 1986, farm debt increased from $18.4 billion to about $22.9 billion, for an average annual increase of 3.8%, while the value of farm capital decreased by an average of 3.5% per annum. Allowing for inflation, farm debt remained relatively stable between 1981 and 1986, but the value of farm capital fell 8.4% per annum on average. This increasingly heavy debtload forced Canadian farmers to consolidate and reschedule their debts over longer terms. Since 1983, long-term debt has represented more than 50% of total farm debt, whereas in the early 1970s it accounted for about 42%. According to Mr. Arnold Rovers of the Nova Scotia Farm Loan Board,

> [t]he inability of farm businesses to service the debt accumulated in the expansion decade is the key element of the financial difficulty. The percentage of farm cash income required to service debt, after all other farm expenses were paid, increased from 20.4% in 1972 to 45.4% in 1985. (Paper presented by Mr. Arnold Rovers at the Canadian Bankers' Association Conference in November 1987).

The FCC, in its appearance before the Committee, confirmed that 19.5% of its accounts, representing $343.4 million as of 31 March 1987, were past due; as of February 1988, the arrears had increased to $401 million, representing 20% of its accounts. The banks have about 9,187 "problem" accounts, that is, accounts that have been past due for at least 90 days, for a total of $747 million as of 31 July 1987; this represents less than 9% of their farm loans.