

## **B. OBJECTIVES**

The overall objective of this study is to analyze the financial structure of Canadian farmers, specifically to answer questions on the current debt and its impact, and how future changes in economic and policy conditions might affect debt levels and the financial viability of producers.

This objective will be achieved through performing the following tasks:

- i) providing a brief review of the key economic factors which underlie the current financial structure of agriculture;
- ii) analyzing the current farm financial structure and debt with respect to its incidence by province, commodity type, income classification, and to comparisons of the level of financial risk and stress in recent years; and
- iii) performing several policy and economic simulations which will evaluate the impact of future cost, policy and income conditions.

## **C. REPORT ORGANIZATION**

Chapter Two provides a brief historical review. This review is limited to the primary capital, debt, and income variables which have combined in specific ways to create the current financial profile of Canadian farmers.

Chapter Three undertakes a detailed analysis of the current debt and financial conditions of the industry. The primary basis of this analysis is the use of the Ashmead Economic Research Inc. Farm Finance Model which has been developed specifically for this purpose. Special analyses and computer runs from the FCC Farm Survey support the research of this chapter. Changes in the level of financial stress are described in the chapter.

The outcomes of five economic projections are provided in Chapter Four. The Farm Finance Model is used to analyze the implications of several future situations which might occur over the next two years including:

- i) a baseline projection for currently forecasted economic conditions;
- ii) evaluation of the impact of higher input costs;
- iii) evaluation of the impact of an agricultural economic recovery led by the grain sector;
- iv) evaluation of the impact of higher interest rates and inflation; and
- v) evaluation of the impact of lower interest rates and lower inflation.

The final chapter provides a summary of the results and the implications of the study.