

## CHAPTER ONE

We do not throw out the word "crisis" lightly. The depth of the problem facing western farmers right now is difficult to capture in a five-paragraph newspaper story. Forces are at work, which do not make exciting television viewing, but they exist and they do have an explosive impact. Hard times force farmers to look for ways to reduce their costs in every way possible. It is government's responsibility to ensure that its policies and programs work in concert with this objective and do not inadvertently hinder farmers' ability to compete (Roy Cusitar, Vice-President, United Grain Growers, Issue 16:4, 26-3-87).

## INTRODUCTION

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The present farm situation has been compared to that facing farmers during the Great Depression. Farmers are caught between persistently low commodity prices and rising input costs.

Farm Credit Corporation (FCC) testimony before the Committee revealed the extent of the problem. The Corporation reported that as of March 1, 1987, 21% of its accounts were in arrears, for a value of \$350 million. This dollar amount is up by some 38% over the same period last year. Of this group, there are 6,000 accounts that are two years or more in arrears. Canadian farm bankruptcies rose by 48% between 1986 and 1987.

The FCC told the Committee that of the 175,000 farmers with sales over \$20,000, 8% are now insolvent compared to 5% to 5.5% 18 months or two years ago. This figure represents about 14,000 farmers. There are an additional 23% or 40,000 who are having cash flow difficulties, according to the FCC.

The cost-price squeeze produces net income levels in many types of farming which leave little cash flow remaining to cover living expenses, new or replacement investment, or debt servicing. The weak price situation has been particularly acute in grain. On an overall basis cash receipts from farming in Canada rose in 1986, but the increases were confined to the livestock sector. Cash receipts from crops declined for the second year in a row (Figure 1.1). For 1987 Agriculture Canada has forecast that farm cash receipts will remain at about the same level as in 1986, \$20.4 billion, supported by the \$1 billion in payments under the Special Canadian Grains Program.