repairs and depreciation on machinery per $1,000 sales of crops, livestock and livestock products in 1986 were $47, $60 and $71 respectively, or $178 collectively. In Quebec, fuel and lubricants, machinery repairs and depreciation on machinery were $34, $54 and $69 respectively, or $157 collectively. In Ontario, these same expenditures in that order were $37, $47 and $84, and totaled $168. In British Columbia, these expenditures were $48, $58 and $80, and totaled $186. Fuel and lubricants, machinery repairs and depreciation on machinery in the prairie provinces were $64, $76 and $151 respectively, or $291 collectively. It should be noted again that these expenditures omit interest payments on machinery purchases.

C. Price Trends of Farm Machinery and Repairs

The prices of farm machinery and machinery repairs greatly affect the costs of machinery-related items in operating expenditures. During the 1981-86 period, the prices of all types of machinery and repairs increased at a greater rate than the prices of farm inputs in general.

In eastern Canada, during that period, the average price of farm machinery replacement increased 15.1% and repairs 21.0%. The prices of all farm inputs increased on average by 8.3%. In western Canada, farm machinery replacement prices increased 13.5% and repairs by 19.4%. These trends are in contrast to an average increase of 8.8% for all farm inputs.

Witnesses stated that the major reason for the increase in machinery repair costs is higher prices for repair parts and labour, reinforced by a decline in new machinery sales. This observation was supported by Agriculture Canada at the 1986 Agricultural Outlook Conference. It was noted that there is less competition in this sector and profits will likely be taken on repair parts to compensate for losses on sales of complete machines. The Committee was told, for example, that farm tractor sales are now 58% of 1979 sales and combine sales are down to 44% of the 1979 level.

D. Availability of Parts, Service and Extended Warranties

The farm machinery industry in Canada is struggling for survival through a period of financial crisis, precipitated and reinforced by the continuing economic downturn in Canadian agriculture. Farm machinery shipments from Canadian manufacturers have decreased by 45% since 1981, falling from $1,403 million to $770 million in 1986. Furthermore, the collapse of some major companies and mergers of companies in recent years have raised concerns about competition in the farm machinery manufacturing sector and about possible impacts on the supply of parts for certain machines. The decrease in the number of dealer outlets has been accelerated by the continuing low sales of new machinery, high inventories, too much credit extended and mergers of farm machinery manufacturers. The annual survey conducted by the Farm Equipment Manufacturers Association shows that 2,770 farm equipment dealers have gone out of business in Canada and the United States since 1981, and that the downtrend continued in 1986. Some 44% of these dealers were associated with the White Farm Manufacturing Company, Case/International Harvester and various short-line manufacturers. Consequently, farmers in various localities are concerned about the distance they must travel for parts and service.

The Committee heard farmers' concerns on the inadequacy of machinery repair and servicing in many areas of Saskatchewan and Alberta. Because of the inaccessibility of specialized repair shops and the high cost of repairs, some farmers have been constrained to acquire new machinery and have thereby increased their debt load. Consequently, witnesses expressed the need for more parts depots.

The governments of at least two provinces have taken actions to assist financially troubled farm machinery dealers. The Government of Alberta has attempted to maintain about one-third of the province's farm implement dealers, who are suffering from the depressed financial conditions in