

level of net assets will be higher and leasing and diversification will be more widespread. Research and development, and the introduction of new technology, will force farmers to manage their operations more efficiently, and financial management techniques will be more sophisticated. In short, the farm financing crisis of the 1980s will force family farms to become agro-businesses that are more closely integrated with the domestic and international economies.

The free trade agreement between Canada and the United States is likely to have an impact on the agricultural sector. It is difficult to anticipate the effects of the removal of certain tariffs, although one such effect is likely to be enhanced competition on agricultural markets. The current farm financing crisis has forced the agricultural sector to take immediate steps to improve its competitive position, thus, as an unexpected benefit, possibly facilitating the transition to free trade with the U.S. The Committee, however, did not dwell on the likely impacts of the free trade agreement on the agricultural industry, feeling that such an analysis would exceed the parameters of this study.

#### **B. Scenario 2: Desirable Trends**

Although the farm organizations that appeared before the Committee held differing views on both the precise definition of a "family farm" and the most appropriate measures to enhance its development, the majority agreed that in the year 2000 the family farm would still be the basic unit of production in the agricultural sector. The definition of "family farm" is rather elastic, there being no strict limits on the size, the form or production levels. The term generally implies a farm where the assets are owned and decisions made by family members. A "management unit" can still be considered as a family farm if employees are hired or if off-farm income is injected into the operation.

Many of the witnesses appearing before the Committee mentioned that family farms have in the past demonstrated their ability to keep pace with change and maintain high efficiency. Prairie Pools Inc., however, believes that family farms have reached a critical minimum level which jeopardizes the infrastructure of the rural community in some areas. Because the agricultural sector is now so capital-intensive, various financial instruments must be put in place to respond to the needs of farmers who support the rural farm community.

The Christian Farmers Federation of Ontario proposes that a "Farm Credit Association" be implemented at the regional level to respond to financial needs and to give