CHAPTER SEVEN

> The major reason for the increase in machinery repair costs is higher prices for repair parts and labour, as well as the decline of new machinery purchases (Ralph Jespersen, President, Unifarm, Issue 11:10, 12-3-87).

FARM MACHINERY

A. Machinery and Productivity

Farm machinery is a key factor in maintaining and improving the productivity of Canadian farmers. The labour-saving capacity of machinery enables commercial farmers, who comprise less than 1% of the population, to produce enough to meet the major food needs of nearly 26 million Canadians as well as additional products for export that help to maintain a positive trade balance for Canada. Furthermore, the adoption of the latest technology and the efficiency of farm machinery performance affect the utilization and the total cost of such inputs as fuel, fertilizer, chemicals and seeds. In turn, the production costs of domestic food and products for export are influenced by the efficiency with which farm inputs are used as well as by the prices of these inputs. Like the proverbial sharp pencil of shrewd farm operators, the computer is now becoming the ultimate tool for analyzing and determining the lowest cost investment and operation of machinery, as well as the efficient utilization of many other inputs on Canadian farms.

B. Importance of Machinery Expenditures to Input Costs

The Committee is aware that machinery-related expenditures form a significant proportion of total operating costs and depreciation, ranging from about 21% in eastern Canada and British Columbia to about 35% in the prairie provinces. With the possible exception of feed in those provinces of eastern Canada oriented to livestock production, machinery-related expenditures represent the greatest share of costs on Canadian farms.

In the Maritimes, for example, fuel and lubricants, machinery repairs and depreciation on machinery amounted to 6.1%, 7.7% and 9.1% respectively, and 22.9% collectively, of total operating costs and depreciation in 1986. In Quebec, fuel and lubricants, machinery repairs and depreciation on machinery amounted to 4.4%, 6.9% and 8.9% respectively, and 20.2% collectively. In Ontario, these same expenditures in that order were 4.7%, 6.2% and 10.9%, and totaled 21.8%. Similarly, in British Columbia, these expenditures were 5.6%, 6.8% and 9.5%, and totaled 21.9%. However, in the prairie provinces, fuel and lubricants, machinery repairs and depreciation on machinery were 7.5%, 8.9% and 17.7 % respectively, and 34.1% collectively, of total operating costs and depreciation. Furthermore, these particular expenditures omit interest payments on machinery purchases.

The significance of machinery-related expenditures may be more readily seen in their relation to the sales of farm products. In the maritime provinces, expenditures on fuel and lubricants, machinery