The fourth projection of the chapter evaluates how an unanticipated rise in interest rates and inflation would impact on the sector. The results of this simulation are similar to those of rising input costs. The supply-managed industry is affected, with the incidence showing up especially in Quebec. Excess debt in Saskatchewan would also increase markedly. More moderate impacts are found for other regions.

Finally, an evaluation of lower interest rates is considered. This simulation restores the viability of the sector to 1989 conditions. Alberta will benefit the most from lower interest rates as it currently has the most debt.

A separate evaluation of the Gross Income Insurance Program (GRIP) shows that at least in 1991 and 1992, this program will have a net positive impact on farm income. Of particular interest, it will shelter higher indebted farmers from price and yield risk.

There is a consistent part of the industry which is in such severe straits that alternative economic scenarios will have almost no impact. Farm debt in Canada is not projected to fall under most conditions. The financial problems of some farmers will persist and so the demand will remain on both levels of government for assistance whenever there are even modest declines in market income.