— interest free cash advances to farmers of wheat, oats and barley whose grain could not be harvested in the fall of 1985 because of wet or snow-covered fields;

— extension of the Small Business Bond Program for two years for farmers in financial difficulty to provide loans at below market rates usually at half of the prime rate plus 2% – 3%;

— extension of the *Farm Improvement Loans Act* to guarantee commercial loans for certain farm improvements at an interest rate maximum of 1% over the prime lending rate; and

— extension of the *Farm Syndicate Credit Act* to provide FCC loans for the joint purchase of farm machinery or buildings.

Government financial assistance is only a part of overall federal and provincial government expenditures on agriculture which in 1986 reached $2.9 billion annually. This compares with $819 million in 1980. These expenditures do not include tax expenditures or operating credit guarantees.

Notwithstanding government financial contributions, the financial outlook for the agricultural sector is still serious and may remain so for some years, given the variability of export markets. To provide some perspective on the costs involved, estimates based on the 1984 Farm Credit Corporation Farm Survey indicate that in 1983 a one-time loan reduction of nearly $7 billion or, alternatively, an annual interest rate subsidy of $560 million would have been required to remove all farmers from financial stress. These costs have undoubtedly escalated considerably in the last three years. It would appear that assistance programs alone in an extended period of financial downturn do not answer the agricultural community's needs.

Over the course of the Committee hearings, witnesses expressed much concern with the difficulties of financing the acquisition, maintenance, and expansion of farm businesses, that farm financing difficulties are essentially the result of low incomes and excessive debt financing, and that the debt servicing problem is widespread and must be addressed through long-term restructuring; the traditional farm financing mechanisms of generating funds within the farm, bringing funds to the farm business through off-farm employment and debt financing are no longer appropriate. Debt servicing problems under the prevailing economic conditions suggest that financing alternatives warrant consideration by the federal government.

The Standing Committee in its assessment of the challenges of farm financing, has decided to focus on the new proposals presented to it that appear promising: (1) the equity financing proposal of the Farm Credit Corporation; (2) registered farm investment funds; (3) guaranteed vendor financing; (4) FCC lease-purchase agreements; (5) changes to the mandate of the Farm Credit Corporation; and (6) extension services in the area of farm finance.

In addressing debt concerns, the Committee realizes there is no one solution to current farm financial problems. It will take the will of business and farm leaders, and governments concerned to respond to today's agricultural challenges. Complete financial recovery will likely entail:

(1) an enduring recovery in international grain markets (e.g. improved grain prices);

(2) a stable and favourable macro-economic environment (e.g. favourable exchange rates; stable and affordable real interest rates);

(3) continued financial restructuring within the industry aided, in extreme cases, by readjustment programs (e.g. Farm Debt Review Boards, Canadian Rural Transition Program); and

(4) provision by governments of short-term income assistance (e.g. Special Canadian Grains Program).