expanded and would be of great usefulness in farm financing in the short run.

The last suggestion I would like to make to the government is something to which I made reference in my letter to the Prime Minister dated July 6. I received a reply on September 1 from the Minister of Finance. I made these four suggestions in that letter: the establishment of production credit associations, banker acceptance financing, the establishment of local or smaller central banks, and the development of federal land banks.

Specifically, I would like to refer very briefly to what is known in the States as production credit associations. As I understand, they were set up early in the century and were initially established through a certain amount of funding by the federal government. One could not borrow unless one had a share, and agreed to leave in a certain amount of money. Once the loan was repaid, one still had to leave in one's equity for a period of two years with no accrued interest. However, if one did not borrow from the production credit association for a period of two years, one's equity was then changed so that one could earn interest on it.

Over a period of years all the equity has been paid back to the federal government in the United States and those associations now operate on their own. At the time when this study was carried out, in the early part of 1981, financing was available to farmers and cattlemen in Colorado at rates of about 16 per cent, while the comparable interest rate in Canada would have been in the 22 per cent to 23 per cent range.

Perhaps this is something which would not immediately help our farmers. It would be one step the government could take to at least give some hope to producers that something is coming down the road to encourage them to stay in business. They would know the government cared enough about them to look at some of these credit instruments that could make farm short-run or short-term credit available to them at fixed rates, or possibly lower rates, as I suggested through expansion of the small business bond.

● (2215)

The government could look at what the United States government is doing, specifically in the production credit association. Canadian farmers could then enjoy the same interest rates as American farmers. This would make them not only more competitive with American farmers but more productive and more competitive on a world scale. Canadian agriculture would be better able to compete. It would not only add to our exports, help our balance of payments and increase the demand on our Canadian dollar, but would also help interest rates at home.

Those are three suggestions I make to the government. I hope the parliamentary secretary will not merely tell us what is being done in the budget. We know that the only direct assistance in the budget, as far as interest rates are concerned, amounts to $15 per farmer. I hope that is not what he says because the Minister of Agriculture (Mr. Whelan) is quickly becoming known as the "$15 minister."

[*Translation*]

Mr. Marcel Ostiguy (Parliamentary Secretary to Minister of Agriculture): Mr. Speaker, in answer to the comments just made by the hon. member for Portage-Marquette (Mr. Mayer), it is indeed a coincidence, because when he asked for this last minute or so-called late show debate, he could not have known that the Farm Credit Corporation bill would now have been tabled in the House and considered for more than a week. Obviously, the $50 million is supposed to help farmers who are in a very tight situation and not every farmer who happens to contract a loan. I would rather not discuss the figures just mentioned by the hon. member for Portage-Marquette, but I can inform him that we are talking about much more than just $15 per farmer. Of course, it would average at $15 per farmer throughout the country, but in actual fact, when a farmer contracts a $200,000 loan, he will get $28,000, and not $15, over a two-year period, because instead of paying 18.75 per cent interest, he will be paying 11.75 per cent. It is quite true that the number of farmers experiencing serious financial problems is much greater than the number indicated in the bankruptcy statistics, and it should be recognized that this is a minority. In fact, farmers who sell their produce according to structured supply management or marketing plans are better able to cope with rising interest rates.

The manner in which they are paid often helps in reducing their interest payments. The fact that net farm income is expected to increase by 20 per cent makes it fairly obvious that present interest rates do not lead to total losses for all farmers. I may also point out, Mr. Speaker, that net farm income is calculated after deduction of all interest payments. Another important point is that the farmers who are losing their farms usually have a high debt ratio owing to recent purchase of the farm itself or of farmland, buildings or implements. The financial situation of these farmers is very precarious and can very easily lead to defaults on payments, especially if the market is depressed or interest rates increase or are allowed to float, as they are at the present time. Furthermore, Mr. Speaker, government assistance to farmers includes more than this particular FCC program. People usually fail to realize that the reduced interest rates on small business bonds which is now 5 per cent below the normal rate for people who are in serious difficulty actually constitutes a loss of revenue for the government. Through the Income Tax Act, the government has ordered that a substantial part of the interest collected by banks and similar lending institutions on small business bonds shall not be considered taxable income. Since normally, chartered banks pay about 50 per cent tax on their net income, they can now afford to reduce their normal interest rates by half in so far as their income from interests is not taxable.