

things. It has no ability to manage, so it has allowed the prime rate to go up and up and up with the thought that this would control inflation. This policy does not control inflation. It destroys production and producers. When interest rates rise, people who cannot pass the increases on are put out of business. If they can pass the increases on, prices increase. The result is that prices go up in both cases. We had a situation in the past three or four years where prices have been continually rising. We have seen a bank policy that tried to control inflation by controlling interest rates. Interest rates have been raised presumably to reduce inflation. Now we have 12 or 13 per cent inflation and a 20 per cent prime rate.

● (2130)

We have been told that this will eventually reduce inflation. That is nonsense. It is a disaster. It is not only hurting us but tearing us apart, and is particularly disastrous in the farm community.

Farmers are the only people in our society who are expected to buy retail and sell wholesale. There is no way that a farmer can pass on the costs of his interest. A manufacturer might include that in his cost of production and pass it on in the wholesale price. A storekeeper might include the cost of carrying his inventory in his overhead and pass it on. However, how would a beef farmer or one involved in a cow-calf operation do that? There is no way he can.

A calf born in 1978 might have produced offspring this spring. However, it might not produce until next spring. It depends on how competent the farmer may be. How can a cow-calf operator pass on his interest rates when to produce an animal it takes probably 27 months from birth to the next birth? It is totally impossible.

What does this government which is responsible for interest rates do? The minister blames the banks. He says they are terrible fellows. I suppose they should not have lent money to the farmer. What does the minister propose? He has huffed and puffed around the country. We will see after November 12 whether there is something for the farmers, or perhaps he will huff and puff his way out of the cabinet and out of this House.

I wish to make three suggestions as to what the minister might include in his budget. In a sense these are only band-aid measures. Looking at the high interest rate policy of this government, it is essential that it be prepared at least to extend the concept of the Small Business Development Bond into farming. The government should at least be prepared to allow unincorporated farmers to use the bond system. I agree there is a benefit to the big lender. However, it gives the farmer money at perhaps prime plus one.

There should be three kinds of small business development loans. First, I suggest some kind of small business development long-term bond, for example, 20 years on a fixed term for the young person going into business, to be amortized. This would help him get into business. If we do not have new farmers, we are dead. The people in Peel talk about saving Peel for farming. Unless there is someone to farm it, you can have all the agricultural land you want, but what good would that be?

Agriculture

You need someone to sit on the tractor. The old fellows are getting older. We need young farmers in the game. Therefore, they must be given a chance.

Second, we should have one-year Small Business Development Bonds for the farmer on a roll-over basis so that he can buy his feeder cattle in the fall or finance his grain crop in the spring and pay it off in the fall. He should be able to pay it off with interest that comes out of capital. He might find it better to borrow on a regular basis, but he should at least have that option. Third, I suggest the Small Business Development Bond on a fixed term of seven or ten years so that he can buy equipment, rather than bonds on a short term which the banks insist be amortized over five years. My colleague would like to speak further on this matter tonight.

[Translation]

Mr. Irénée Pelletier (Sherbrooke): Mr. Speaker, I should like to use the few moments allotted to me to state the facts as they are and point out the unquestionable efforts made by this government for many years to help the Canadian farming community. The federal government, mainly through the Department of Agriculture, the Department of Industry, Trade and Commerce and the Department of Regional Economic Expansion, has been implementing a number of programs designed to improve the efficiency of the Canadian food and farming sector and to provide producers with fair revenues while of course providing Canadian consumers with a proper supply of first-rate products at reasonable prices.

● (2140)

One of the main programs to which I wish to refer comes under the Agricultural Stabilization Act which was amended in 1975. It is designed to provide a certain amount of balance between the price which producers can obtain for their products and the cost of goods and services which they must purchase. The legislation guarantees to the producers of nine commodities listed in the legislation an income which at least amounts to 90 per cent of the average market price during the five previous years and an adjustment to take into account various production costs. Under that legislation, Mr. Speaker, the costs and prices are determined annually for the nine commodities mentioned in the legislation which are of course, beef, pork, lamb, milk, industrial milk, corn, soya beans as well as oats and barley coming outside areas designated by the Canadian Wheat Board. Other products may also be designated for price support under the Agricultural Stabilization Act, at the discretion of the Minister of Agriculture if in his opinion market conditions warrant it.

The nine commodities for which a support price is mandatorily calculated every year include all the major animal and vegetable lines commercially produced in Canada. The main objective of the Agricultural Stabilization Act is to stabilize the income of farm producers against the market hazards. But it is also aimed at protecting the family-type operations and indeed at promoting this type of operation in the agricultural