

rates generally have fluctuated substantially upwards, the Canadian Farm Loan Board has been able to maintain a steady and moderate rate."

The Nova Scotia Land Settlement Board now operates similarly to the Canadian Farm Loan Board. A difference between the two boards is that the provincial Government pays the administrative expenses of the Nova Scotia board and this is undoubtedly a factor which enables the Nova Scotia Land Settlement Board to charge the same rate of interest as the Canadian Farm Loan Board, namely, 5 per cent, yet at the same time include in its charge the cost of insuring its loans (one-half per cent) in the event of the death of the borrower.

Honourable senators, I may say that in my province there is generally an aversion to mortgaging farms. It may not be so today, but I can remember that when I was a boy it was one of the worst reflections that could be cast upon a farmer or his family to say that his farm was mortgaged.

The report continues:

There has been some duplication of the activities of the two boards in the past, especially during the post-war period when the Nova Scotia Land Settlement Board reduced its interest charges to 3½ per cent while those of the Canadian Farm Loan Board remained at 4½ per cent.

Hon. Mr. Macdonald: May I ask a question? Is the one-half of one per cent for insurance charged only by the Nova Scotia Land Settlement Board?

Hon. Mr. Hawkins: That is right.

Hon. Mr. Macdonald: It is not charged by the Canadian Farm Loan Board?

Hon. Mr. Hawkins: No. At the moment I am dealing with the Nova Scotia Land Settlement Board.

Hon. Mr. Macdonald: I just wanted to have it clear in my mind.

Hon. Mr. Hawkins: The report goes on to say:

This discrepancy led to complaints from established farmers that they were forced to turn to the Canadian Farm Loan Board while farmers and also immigrants wishing to purchase or establish themselves on farms were able to receive assistance through the Nova Scotia Land Settlement Board at lower interest.

I might say that the Nova Scotia Land Settlement Board was set up and organized for the purpose of settling farmers on land—that is, farmers' sons or people who had taken some training in farming—or for settling immigrants, so when the rate of interest that they had to pay was lower there was pretty keen competition for the Canadian Farm Loan Board.

To meet this situation, the Land Settlement Board developed the practice of acquiring the farm even of an established farmer if he wished to borrow, paying cash to him for it, and selling it back to him over a period of years under an agreement of sale. Thus the Settlement Board entered the loan business under the guise of settlement whereupon complaints were received from the Canadian Farm Loan Board with the result that, by agreement in

1955, the Nova Scotia Land Settlement Board withdrew from lending, as such, and restricted its activities to the financing of settlers.

The withdrawal of the Nova Scotia Land Settlement Board from mortgage lending to established farmers under agreement of sale in 1955 was not accompanied by a reduction in its volume of new loans as may be seen with reference to Table XV. Loans expanded from \$353,877 for the year ending March 31, 1955 to \$411,013 in 1956 and to \$576,011 in 1957. Loans granted by the Canadian Farm Loan Board during the same years were \$93,353, \$116,800 and \$225,974 respectively. In the latter year, therefore, loans advanced by the Nova Scotia Land Settlement Board were 2½ times as great as those of the Farm Loan Board.

While there are both critics and supporters of both boards among farmers of the province, the definite impression which the Commission obtained from persons appearing at the hearings was that the Settlement Board has made more impact on the agricultural industry in Nova Scotia than has the Canadian Farm Loan Board. Whether the Canadian Farm Loan Board has adequately met the requirements of farmers in Nova Scotia for mortgage credit is to some extent a matter of opinion. Whether the board can, and will, do so is determined by the limitations imposed by the Canadian Farm Loan Act and the board's interpretation of the act. The situation that has arisen in Nova Scotia points up in some degree a problem pertaining to the adequacy of the farm credit system in Canada. It has been recognized that the Canadian Farm Loan Act of 1927 was "a half-hearted federal venture into the field of long-term agricultural credit" and that the Canadian Farm Loan Board has tended to be conservative.

The board's payment of income tax is a very good indication of that.

The report of the Royal Commission on Agriculture and Rural Life in Saskatchewan stated: "The Canadian Farm Loan Board, established in 1929 and operating in Saskatchewan since 1935, represented an improvement over lending agencies in Saskatchewan and in other provinces. While a useful contribution is being made, it has been overly cautious in its lending policy, first mortgage loans averaging no more than a third of the appraised value of land and buildings. Farmers most in need of fixed capital loans have been unable to get sufficient assistance from this agency."

Whatever the achievements and failures of either the Canadian Farm Loan Board or the Nova Scotia Land Settlement Board may be with respect to satisfying the demands of agricultural producers in Nova Scotia for long-term mortgage credit, the commission has not found evidence of inefficiency on the part of either board, but as might be expected, has received evidence of the existence of both duplication of services and gaps in the credit system at the same time. In view, therefore, of the submissions presented to it and of the difficulty both of drawing a clear line of distinction between a loan for settlement purposes and one for improvement in so far as both pertain to the utilization of agricultural resources within the province and of co-ordinating the activities of the two boards, the commission strongly favours the establishment of one government agency for the supplying of farm credit to agricultural producers in Nova Scotia and hereby emphatically recommend:

Recommendation No. 1

(a) That the Government of the province of Nova Scotia open negotiations with the Government of Canada for the establishment of one board (apart from VLA) to serve as the sole government agency for the supplying of long term credit to farmers in Nova Scotia;