

Farm Loans

new natural gas project in the Soviet Union's Astrakhan area, on the delta of the Volga River near the Caspian sea.

The article goes on to state:

The Soviet government would be the main financial benefactor in the EDC loan because the low interest rate would be passed on to it in the form of much lower contract bids by the Canadian companies.

Mr. Speaker, we can lend money to the Soviet Union at 10 per cent, yet we charge our farmers 16.75 per cent.

However, I would say to Your Honour that there is something we can do about interest rates without subsidizing, and it is fairly simple. I note that Clause 8 of the bill with which we are dealing today widens the area in which the Farm Credit Corporation can obtain funds. It reads as follows:

● (1750)

The corporation may, with the approval of the Minister of Finance, borrow money by any means, including issuing and selling bonds, debentures, notes and other evidences of indebtedness of the corporation.

That gives pretty wide powers to the Farm Credit Corporation when it comes to raising funds. In the November 22 budget, certain changes were made by the Minister of Finance (Mr. MacEachen) which make it almost an impossibility for a farmer when selling out to pass the land on to his son or daughter unless he can get cash for the sale. He is faced with the payment of capital gains upfront for the simple reason that the income-averaging certificates have been eliminated. He is faced with a tax on the sale of his inventory and his farm machinery.

Before the November 22 budget, the farmer was in a position where he could buy income-averaging certificates, sell on time and use the reserve system. These benefits enabled him to sell, pass on his land, and yet have sufficient money to enable him to retire. With the November 22 budget, this has been taken away. The retiring farmer is now faced with an almost impossible tax burden.

I suggest there is a way to deal with this act which would enable the Farm Credit Corporation to borrow money at reasonable rates. At the same time it would give relief to those farmers selling their farmland, inventory, machinery and retiring. It can be called an agri-bond, debenture, or farmer's retirement investment fund. I suggest that the Minister of Agriculture bring in an amendment to this bill. If it is not legal for him to do that, he can recommend to the Minister of Finance that he bring in changes to the Income Tax Act which would allow a retiring farmer to take that portion of the sale price which is a capital gain and lend it to the Farm Credit Corporation, either by way of debenture, agri-bond or a retirement fund.

The Farm Credit Corporation would pay to that retiring farmer an interest rate of, for example, 8 per cent. If the retiring farmer allowed those funds to remain in the hands of the corporation for, example, for five years, he would have no capital gains tax to pay. I am sure retiring farmers would welcome such a scheme. I submit it would not cost the Government of Canada any money. The corporation would get money at 8 per cent, which would be taxable in the hands of

the farmer. It could lend it at 9 per cent by way of mortgage under the Farm Credit Corporation Act. That 1 per cent should cover administrative costs. The farmer would have 8 per cent investment income which he could use for his retirement.

The same could apply to the sale of inventory for farm machinery. The farmer could invest it in the Farm Credit Corporation in the same manner. The tax would be waived, the Farm Credit Corporation would have money at a low interest rate and so would the farmer. What better system could there be? The farmers would be building a fund to help farmers. It would not cost the taxpayer any money and would enable the family farm to be passed on from generation to generation.

As the situation now stands with the present budget provisions, it will be virtually impossible for a farmer to pass on the family farm to his son or daughter. It will be impossible because of the tax burden on a farmer wishing to sell his land, even for cash, and to retire comfortably. In most cases, the only retirement fund that a farmer has is what he can realize from the sale of his farm, inventory and farm machinery when he reaches retirement age.

I put this proposition to the Prime Minister (Mr. Trudeau) several months ago. In response he said that it was an interesting proposition and that he would pass it on to the Minister of Agriculture. I have not heard a thing from the Minister of Agriculture.

There is nothing in the bill or in the speeches of the minister to indicate that he was listening or that he is concerned about the retiring farmer. The procedure I have proposed is a method by which cheap money will be available to the Farm Credit Corporation and to the borrower. I hope when this bill is being considered in committee the Minister of Agriculture will discuss an amendment of this nature. We on this side of the House have been discussing it for some time and will be bringing in a joint amendment of some kind to put forward this proposal.

My time is almost up. In closing I should like to say that, generally speaking, I am supportive of this bill. I hope that when the bill goes to committee the minister will listen and that we can make some constructive amendments in a manner that will be beneficial not only to the farm population but to the Government of Canada in the form of reduced interest rates. If the minister's interests are with the farmers, he will listen to us and give consideration to our recommendations.

Mr. Schellenberger: Mr. Speaker, I see there are only a couple of minutes left. I leave it to your discretion as to whether we should call it six o'clock before I get into the meat of my speech.

● (1800)

[Translation]

Mr. Deputy Speaker: Order, please! It being six o'clock, I do now leave the chair until 8 p.m.

At 6 p.m. the House took recess.