borrowed from the Minister of Finance and from domestic and international financial markets, subject to the approval of the Minister of Finance. FCC lending rates are based on the FCC's cost of funds plus a margin rate sufficient to cover all operating costs and loan losses and to provide a return on contributed capital; the rates are reviewed at least monthly.

The FCC focuses on helping farmers who have both the resources and the ability to survive in agriculture, but who are unable to obtain suitable financing from commercial lending institutions. It serves the higher risk portion of the long-term farm credit market. In addition to funding, the FCC makes counselling and assistance in the planning, organization, and development of farm businesses available to all applicants and borrowers.

The FCC makes loans available to farmers for: the purchase of farmland; the building or modernization of farm buildings; the purchase of livestock and equipment; the refinancing of debt; and other purposes that will facilitate the efficient operation of the farm unit.

Loan applicants must be Canadian citizens or permanent residents, and must be of legal age to enter into a mortgage agreement; farming must be a full-time occupation. Loans have renewable terms of 5, 10, 15 and 20 years.

Under the present economic conditions, because it serves the higher risk portion of the long-term farm credit market, the FCC has gradually become more and more a lender of last resort: "We believe the Farm Credit Corporation should be instituted again to be not a lender of last resort but a total lender to agriculture" (Issue 17:7, 31-3-87). The Committee shares this view. As the farmers' fortunes have declined, so have the FCC's, as described by the FCC Chairman, Eiliv Anderson: "I suppose the way to put it is if we were a private company, not being a subsidiary (of the federal government), we would be bankrupt at this time and out of business; but as we are a subsidiary of a larger company that is solvent, we still are solvent" (Issue 27:34, 21-5-87).

The Committee notes that the Farm Credit Corporation will be essentially dependent on funds from the federal government's Consolidated Revenue Fund: after suffering a loss of $90 million over the last year it may have to show a similar loss this year, "or slightly higher." Again, in the words of its Chairman, "I suspect this year we will be in a negative equity position" (Issue 27:34, 21-5-87).

In view of both the severity of the Farm Credit Corporation's financial position and the increased demand for expansion of the FCC's mandate, the publication of the results of the two-year review of the Corporation's future role and ability to provide affordable financing to the farm community at stable interest rates, is long overdue.

2.4 The Committee recommends that the federal government instruct the Farm Credit Corporation to complete its mandate review and consequent long-term strategy for fulfilling its mandate and that it assign these tasks a very high priority.

Even though the Committee has concerned itself primarily with the problems farming operators are experiencing, the present situation is a particularly discouraging one for those individuals who want to enter farming today. Most provinces offer beginning farmers loans with favourable conditions, interest rate relief or some other incentive. Terms differ across the country and the Committee feels that there is a need on the part of the provincial governments to work towards uniformity in assistance for beginning farmers. The Committee would like to stress the importance for the provinces to continue refining these programs, bearing in mind they should be designed so as to avoid leading to excessive capital costs for land.