Worse than that, I have clients in the farming business who have been with a bank for 15 or 20 years and they are now being asked to do all kinds of financial reporting. These are things the banks used to do internally and now they are telling the farmers to hire professionals to get all this work done. Of course the farmer is in a very precarious situation. He owes the bank $100,000. He may have a half million dollars worth of assets but he cannot pay the $100,000 back tomorrow without selling his cattle or getting rid of all his crops, or not planting next year's crops. In a sense the farmer is in a bad position so he has to comply.

I am a chartered accountant and my own profession would love to deal with the extra business from that source. But the reality is and the question is, is it necessary? Is this a necessary expense to farmers? I suggest that along with some of the studies that have been done in the industry committee that we also focus on small business loans to farmers.

I look at the banks and their pampered position in this country. There are special tax laws for banks. There are even laws that allow them to create money. What better operation can you have than that, when you can lend money that you do not even have? These are the rights of the banking sector. We have to look at those rights and privileges and reflect on what they are doing to our farm community.

One of the recommendations made by the industry committee was the possibility of regional banking. People can think back to the early 1900s when there were such things as farmers banks. The local people could form their own banking enterprises so that the smart alec MBAs from Bay Street are not telling them whether or not they can buy that new combine or manure spreader, even though they may have more of an affinity for the latter than the former. These are some of the aspects of capitalizing small business. I think our government is very interested and very concerned about moving in the area of improving access to capital for farmers.

• (1715)

I would like to deal with the aspect of retiring farmers. As I mentioned in my opening remarks the average Canadian farmer is 54 years old. One of the exemptions that they have under the Income Tax Act today is a $500,000 lifetime exemption for capital gains. I would like to discuss capital gains in relation to farming.

The reality is that the capital gains tax, in spite of what the people in finance might tell us from time to time, generally speaking does not exist on the farm. In fact what it represents is inflation. In other words, what was the value of the farm in the 1950s and what is the value of the farm today. If we go back and extrapolate the real value of money we discover the farmer in fact has not gained anything.

He has however taken every spare cent he has and buried it in that farm property. That is his retirement income. He does not have a retirement savings plan. Maybe some do, but very few just by the nature of the business itself.

Finance from time to time talks about $2.2 million lost revenue from this deduction for farmers. The reality is that it is not lost money at all. It is money that does not exist. It is a tax on inflation.

I draw that to the attention of the House. Presumably the finance minister will also feel similarly impressed that this is something we have to maintain in order to assist our farmers to make orderly transfers of their farm property to another generation or even to retire completely from farming.

My second point is where Agriculture Canada and more specifically the Farm Credit Corporation have been active in assisting our farm community. Only recently Farm Credit Corporation introduced a new mortgage plan for farmers. Some of that will relate to farmers who are retiring and turning it over to their sons or daughters and some of it will involve farmers who are retiring from farming completely. Generally speaking this program will assist retiring farmers to transfer their properties to another generation.

All too often farmers stay with the farm away beyond the time they should turn it over to another generation. Usually the problems are financial. Farming is hard physical work. Obviously at 54 we should have thought about retiring or becoming a manager long before this.

Farm Credit Corporation has devised a mortgage instrument. It is a little complex but I will explain it briefly. If the farmer wants to sell his farm for say $100,000, his son will have to come up with 10 per cent of the proceeds, $10,000. Farm Credit Corporation will then advance $40,000, up to 40 per cent of the sale price to the retiring farmer. He will have $50,000 or half of the proceeds of the sale on the day of sale. The balance of the money is paid to the retiring farmer over a maximum five year period. It could be a shorter period than that.

The other side of that is the retiring farmer only receives the interest on the $40,000. The new farmer, his son or daughter, will pay full mortgage payments. More and more money is being applied against the principal and only a small portion is paid toward the interest on the $40,000.

This is another good idea that Farm Credit Corporation has which is going to assist the new farmer to build up equity in the farm and assists the retiring farmer to get his money out of the farm.

• (1720)

What is the catch? Generally speaking the retiring farmer is not going to receive interest on as much as $50,000 over that short period of fiscal time. However, most farmers I know realize and in fact I have heard it mentioned many, many times in the farm community that if we charge over 10 per cent interest we are going to get the farm back.