

conditions. The basis of the agri-bond would be to have the Minister of Finance (Mr. Lalonde) provide a financial instrument whereby a retiring farmer could roll over part of the funds from the purchase into an agri-bond, which would then be used to relend money to beginning farmers. This would be done in order to assist new farmers and to avoid some capital gains tax at the present time. Because the beginning farmer was avoiding the payment of capital gains tax he would be in a position of accepting less than the market value for those funds which he had invested in agri-bonds. Consequently, the managers of the agri-bond could relend the money to young farmers at a rate which would be much below the standard commercial rate, provided those funds were used for reinvestment in farmland.

It is a very sensible, straightforward, proposition. It is one of the methods which could be used to provide funds for a new generation of farmers. This would not cost the Treasury very much money and would go a long way to providing increased capital for new farmers.

There are other things which could be looked at as well. There have been proposals that the Farm Credit Corporation's mandate be extended to include the ability to be a guarantor of mortgages where the existing farmer provides a mortgage to the next generation. In the event that the second generation farmer had difficulty paying off the mortgage, the Farm Credit Corporation would stand in and act as a guarantor so that the retiring farmer would not lose everything or have to take the land back.

There has been the concept of land banks which have been applied in some of the provinces, particularly in my home Province of Saskatchewan. The land banking system was a method which permitted small and medium-sized farms to remain within the same family in some cases. It provided some cash for retirement for the older generation and provided a mechanism whereby the next generation could take over the land. The procedure was that the father or grandfather sold their land to the land bank, which then leased it back at very reasonable terms to a son or grandson, daughter or granddaughter, if that was the choice of the original seller. The new tenant had full rights to that land until age 65, after which time he could designate his direct descendant to be the next lessee. It was possible to maintain the land within the family for future generations without having to go to the financial community, regenerate a loan and carry a heavy interest burden every time the land changed hands from one generation to the next. It was a sensible proposition for a good many farmers who were attempting to get some money to retire with and for their sons or daughters to take over the home farm.

Another method of financing, which has been tried with fairly good success, was something like a small business development bond which was applied for some farm credit for a short period of time. The theory there was very much like the agri-bond concept. The borrower got a reduced rate on his interest provided that he did not show the interest paid as a farm expense. The lending institution was then able to use that interest as a deduction for determining the amount of tax that

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would have to be paid. The bank got almost the equivalent of an investment tax credit for having lent the money at a reduced rate, which some farmers and small businessmen will understand. It helped the beginning farmer and was also of assistance to the bank. This is the kind of relationship we think would exist between the lender and borrower through the agri-bond concept.

The Government of the day has proposed changes to the capital gains tax. It proposed improvements to the Farm Credit Corporation and in fact a few changes have occurred in this last session of Parliament which would increase the amount of funds which Farm Credit was able to obtain to relend to farmers. However, at the moment, the Farm Credit Corporation can only obtain those funds from the market at competitive terms and then must relend the funds at a rate high enough to be able to pay itself for the administration and any risk which might occur in the farm financing business. As a result, the interest rates that are available to the farmers borrowing under those programs are not particularly low and in fact at the moment are a couple of percentage points higher than the rate at which most of the banks or credit unions will lend money on land. The advantage of going to the Farm Credit Corporation exists only for those people who expect interest rates to climb again. I do not know that there are very many of those. The advantage also exists for those people who desire to have the money for 25 to 29 years.

I have been handed a note, Mr. Speaker, saying that there has been a proposal for some sort of agreement to be worked out between the two sides of the House and that the Government side and the Official Opposition are proposing to consider allowing this very good motion to take its course. According to the note, the Government seems disposed to allow the Agriculture Committee to make an investigation into the merits of the agri-bond concept and report back to the House by June 30. Thanks to the leverage which the Hon. Member for Bruce-Grey (Mr. Gurbin) was able to apply through his proposed motion to talk all night and all day, if necessary, I am pleased that we have been able to discuss this motion in the House during the last 40 minutes and obtain an agreement from the Government to send it to committee.

● (1740)

I hope this agri-bond concept gets a thorough hearing in committee because we know that most of the major farm organizations have been proposing a form of agri-bond during the last three or four years. Most Members of the House who represent rural areas have been advocating the utilization of agri-bonds as a means of increasing the options available for new and expanding farmers. I hope the initiative taken here today will result in the committee being able to pursue this excellent proposition and develop a proposal that will be acceptable to the House after June 30.

Mr. Douglas Fisher (Parliamentary Secretary to Minister of Finance): Mr. Speaker, I appreciate the opportunity to talk on this very important topic. May I begin by extending my congratulations to the Hon. Member for Bruce-Grey (Mr.