

Farm Loans Interest Rebate Act

- (d) Sept. 81: U.S. \$330 million, 5-year 16¼ per cent private placement with the Saudi Arabian Monetary Agency

March 82: SFr 400 million, 5-year 7¼ per cent notes.

[English]

Mr. Smith: Madam Speaker, I ask that the remaining questions be allowed to stand.

Madam Speaker: The questions enumerated by the Parliamentary Secretary have been answered. Shall the remaining questions be allowed to stand?

Some Hon. Members: Agreed.

GOVERNMENT ORDERS

[English]

FARM LOANS INTEREST REBATE ACT (NO. 2)

MEASURE TO REDUCE INTEREST RATE

Hon. E. F. Whelan (Minister of Agriculture) moved that Bill C-134, respecting rebates of interest on farm loans made under the Farm Credit Act, be read the second time and referred to the Standing Committee on Agriculture.

He said: Madam Speaker, Bill C-134 is an Act respecting rebate of interest on farm loans made under the Farm Credit Act and is a piece of legislation which is extremely important to the farm community and to all Canadians.

Hon. Members will recall that in the June 28, 1982 budget speech, the then Minister of Finance announced a special loans program to assist farmers in financial distress. Contrary to what some Members say here, the Minister had a program that was quite significant and farmers who have benefited from it think it is quite significant. Under the special Farm Financial Assistance Program, the then Minister of Finance had allocated a total of \$100 million for loans in fiscal years 1982-1983 and 1983-1984 and for interest rebates on these loans for a total of \$200 million. Because of the pressing demand for assistance this year, this allocation has now changed to \$130 million for 1982-1983 and \$70 million for 1983-1984.

The funding from the then Minister of Finance, combined with that from other FCC sources, will result in loan approvals of \$200 million, on which a subsidy of four percentage points will be paid for two years. This measure will help to assure the survival of many Canadian farmers who are presently facing serious financial difficulties. The Farm Credit Corporation credit advisers will assist farmers in the development of farm plans which will provide for greater financial stability at the end of the two-year rebate program.

The Farm Loans Interest Rebate Act is required in order to provide the statutory authority for the appropriation of an amount of \$16 million, not zero but \$16 million, for the payment of the interest rebate of four percentage points of the principal amount of farm loans made under this special program.

The Farm Credit Act does not provide the Farm Credit Corporation with the authority to rebate any portion of the interest charged under the Act, nor is there other appropriation legislation through which the subsidy could be paid. Thus, after a review of all other options, the proposed legislation was deemed to be the most acceptable method by which to pay the subsidy.

• (1510)

Under the special Farm Financial Assistance Program, loans will be made at the regular Farm Credit lending rate which on June 29, 1982 was 16.5 per cent and on October 1, 1982 was set at 15 and ¾ per cent. The rebate of four percentage points over two years to date reduces the farmers' effective interest rate cost to 11 and ¾ per cent. FCC customary lending criteria will apply. For example, a loan ceiling of \$300,000 for individuals and \$500,000 for more than one qualifying applicant will apply and a maximum amortization period of up to 30 years is still in effect.

This is what most Members must keep in mind. No one is willing to loan long-term money now, at least hardly anyone we could find. We were offered some Canadian money for up to 10 years, I believe it was around \$50 million, with an interest rate of 14 per cent. We refused that because we are confident that interest rates will go down even further and we will be able to obtain long-term money, using the agribond principle that was not originally thought up by those opposite, Mr. Speaker, but was thought up and talked about by people for many years, probably even before the Hon. Member for Bruce-Grey (Mr. Gurbin) thought of coming to the House of Commons. I can remember when it was first thought of and talked about by farm organizations and politicians several years ago.

We must still have long-term money in agriculture. At the present time, the demand for money is not as great as it was at one time because there are not as many farm transfers taking place in 1982. Any farmer in financial distress may apply for this special loan under this Program. The farmer is required to prepare an acceptable plan of recovery in consultation with the Farm Credit Corporation. In addition, he or she must demonstrate that the farm operation will be able to generate sufficient income after two years to meet anticipated commitments.

From the time the special Program was announced on June 28, 1982, up to October 26, 1982, 554 loans had been approved, totalling \$80.1 million. Including applications in process, the total loan commitment to October 26, 1982, under this special Program is estimated at \$105 million, which indicates the demand from farmers in financial distress for these special loans. This is contrary to the figures that the