

Farm Credit Act

to purchase adjacent land in order to carry out activities of this kind, and in most cases a good deal of credit is necessary in relation to the amount he can reasonably expect to receive from his operation. Such credit is not easy to find. In my own part of the country tree cultivation has played an increasingly important part in the development of the area. Indeed, Senator Roebuck, of the other place, in editorials he wrote many years ago in a local newspaper in Timiskaming, said that pulp and timber, to us, took the place of wheat in western Canada, inasmuch as it was the basis of the development of our land. Perhaps the minister will give consideration to extending the definition of farming along these lines.

I wonder, too, why some consideration has not been given to establishing a revolving fund, so that instead of returning to general revenue moneys paid back to the Farm Credit Corporation could continue to be used by the corporation as the basis of new loans. If this were done, parliament might not be constantly needing to consider bills making additional money available to the corporation. Because of the rate of interest charged, the sum of money would, obviously increase, and this would assist to some extent.

In the third place, I should like to ask the minister why a distinction has been made between the two classifications, part II and part III. We believe that in their efforts to establish economic units, farmers should have to pay the lowest possible rates of interest. Here, in the case of the larger amounts, it is provided that an additional sum should be paid to cover costs of administration. I urge the minister to continue the policy of charging 5 per cent across the board with respect to farm loans. If he is arguing that those who borrow the larger amounts, \$20,000 and more under parts II and III, are not, in the strict sense, running family farms or seeking to establish economic farm units, I think he should tell us so. But if it is felt these loans are for the purpose of establishing more economic units in the light of the new technocracy we should, I think, maintain the rate of 5 per cent.

I know the minister has not yet had an opportunity to say something about the effect the possibility of these new loans in the top range is likely to have. Would they not have the effect of allowing some prosperous farmers to extend their operations at the expense of neighbours who might not yet have extended their operation sufficiently to be-

come economic units? It seems to me the existence of the possibility of such large loans is bound to lead to an increase in the market values of land. It is bound to increase the ability of one farmer in an area to purchase neighbouring farmland. If this is a factor, then I believe the department will have to give some consideration to the sociological problem that is going to develop in terms of rural economy and the family farm unit.

Mr. Hays: Mr. Chairman, in reply to the first question in connection with the woodlot, in the farm credit regulations on page 16, section 9(a), I think this point is covered. It says:

The appraised value of the land shall be based on the value of the land for agricultural purposes, including the commercial value of any part thereof used by the applicant for the production of forest products and, so far as possible, on the productive value thereof based on the average yield and prices of farm products and operating costs.

So in the regulations it is possible to go ahead and borrow on a woodlot in order to plant more seedlings, and that sort of thing. With regard to the other question in connection with the cost to the corporation in so far as loans are concerned, the loans now are costing .87 of 1 per cent; this is the cost of the corporation's administration. We do not anticipate that there will be any additional cost with regard to enlarging loans to between \$20,000 and \$40,000; we anticipate that the same costs will prevail.

In connection with the third question, I think a great deal of our reason for extending these loans is this. Last year we lent \$108 million, and the total amount, more or less, of the corporation's loans now are up around \$375 million. Outside of this we know that farmers borrowed \$235 million just last year at interest rates in excess of 10 per cent. So we know that the need is there. If you stop and think about a farm today, if a man has 20 cows and he has \$10,000 worth of buildings and 100 acres of land, without any machinery, he is up to \$26,000. If you hope to earn 10 per cent on a \$40,000 investment you are only speaking of \$4,000 as being the farmer's net return. If you get to \$60,000, you are speaking of \$6,000 at 10 per cent—and there are not too many farmers who are today earning 10 per cent on their investment. In the United States similar loans are now up to \$95,000; \$60,000 for land and buildings and \$35,000 for chattels.

An hon. Member: What is the interest rate?

Mr. Hays: I am not sure of the interest rates in the United States. We are saying