

Farm Credit Act

Canada is one of the few countries in the world with the potential to produce more food. We should be developing this potential to its maximum. Everyone is aware of the growing international concern over the world food crisis, a concern which manifested itself in the recent Rome conference. The food crisis is a reality, and will continue to be so, given the over-population of the world and the decrease of agricultural land because of urbanization and people living on farm land.

We in Canada should be greatly concerned about having professional men involved in the production of food, people who will take advantage of the research that our Department of Agriculture is conducting. We all realize that in this country society works on incentives, and young people should be offered encouragement to enter agriculture and to maintain a certain level of expertise. I think that the government should consider the possibility of relaxing the repayment of loans where young farmers meet certain performance standards. Such standards could be established by the Department of Agriculture, and perhaps it could consider such factors as yield increase from time of purchase, or an efficiency increase in maintaining a yield over a certain period of years from time of purchase.

We have much agricultural expertise across the nation. All provinces hire professional people as district agriculturalists or as regional specialists. We in government should encourage the use of these professionals in order to help the young farmers to whom we are lending money. The guidance of professionals, coupled with the relaxing of loans, if farmers follow instructions, should be considered and perhaps provided for in the Farm Credit Act.

Another incentive that should be considered in assisting young farmers to develop a viable, efficient and economic farm enterprise is the policy of deferring interest payments during the initial period of the loan. If a young man wants to begin farming he is faced with the prospect of literally sinking himself into debt, debt that in all likelihood he will not be able to pay for the next 20, 30 or more years. Often the only way in which a farmer has been able to build up a viable enterprise has been by incurring debts and depriving himself and his family of many of the things that should be rightfully theirs in reward for their hard labour. In some cases by retirement age a farmer's position is not that bad if he has managed to survive the hard work over the years, but he has only attained this standard of living after he has reached retirement age.

● (1710)

We should institute a policy whereby the interest payments are deferred in the initial loan period. I feel we are justified in introducing some form of special credit facility for young farmers who want to become involved in this business. By deferring repayment of interest, the farmer could begin immediately to pay back the principal. Hence by the time interest payments were due, he would be paying reduced interest on his reduced capital. Certainly he would have to pay back the deferred interest but, in the long run, he would be much better off.

Let us take an example of a farmer who borrows \$100,000. If his interest payments of, say 10 per cent were deferred over the first three years he would be able to

make repayments on the principal and perhaps get it down in three years to \$60,000. This interest would have to be paid, but in the meantime he would have saved perhaps over \$3,000 in interest payments because his capital would have been reduced substantially. What greater incentive could he have than if he could envisage being able to pay back a certain percentage of the principal, without interest.

The policy of deferred interest payments would be extremely beneficial when a young man initially contemplates entering farming and gauges the initial outlay he must make for equipment, services, etc. It is conceivable, however, that he may overlook something, and if we were able to defer interest he would be able to find the capital to meet that item.

The other thing that is a problem, is inflation. No farmer can predict costs next year or the year following. The toughest years are the first years, and I am sure a policy such as this would be most beneficial.

A farmer is as great a gambler as those people who go to Las Vegas. He is battling nature, and nature is unpredictable. Of course the farmer depends to a large extent on the elements for increased production from year to year. Many cases have been documented by the farm insurance programs where farmers have been hailed out year after year, or there have been periods of drought or excessive rainfall, rendering planting impossible. Any of these adversities can bankrupt a young farmer, but if his interest payments were deferred it would be easier for him to meet a minimal interest payment for one year, and grow more in the next year to meet the interest payment that was deferred.

Another policy that I hope the Minister of Agriculture (Mr. Whelan) would look at is the establishment of maximum interest rates. Perhaps the rate that I suggested of 5 per cent is unrealistic in today's economy, but if the ceiling could be set at 6 per cent or 7 per cent for the period of a loan it would be helpful, and perhaps the young farmer could also take advantage of any lowering in the rates in that period. He would be able to plan ahead, knowing the amounts he would have to pay. At the present time interest rates fluctuate with the prime rate of the Bank of Canada.

The last amendment I would propose is an open end loan. Open end loans allowing additional borrowing without refinancing charges would be of great benefit to young farmers. For instance, if a farmer could convince his Farm Credit Corporation of the merit of increasing his acreage, a further loan could be negotiated within the original loan transaction. In other words, the original loan would simply be increased without all the red tape, legal fees and disbursements involved in a new loan transaction. Such a policy would result in a significant saving to the farmer. He could use that saving to upgrade agricultural production, particularly production on his newly acquired land or perhaps to pay for his newly acquired equipment.

The government should consider the advisability of amending the Farm Credit Act to provide the aforementioned incentives to young farmers to enable them to enter or continue in the farm industry. Young farmers must be encouraged to remain on the farm and to expand their operations. We must remember that they comprise one of the best consumer groups that we have in Canada. They

[Mr. Schellenberger.]