

ings. I only encourage those who are more familiar with agricultural programs to compare the extraordinary modesty of this request to that of the Farm Credit Corporation.

Here I am beginning to sound like my former colleague, Mr. Eugene Whelan, so I had better sit down.

Motion agreed to and bill read second time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

On motion of Senator Doody, bill placed on the Orders of the Day for third reading at the next sitting of the Senate.

FARM IMPROVEMENT LOANS ACT

BILL TO AMEND—SECOND READING

Hon. R. James Balfour moved the second reading of Bill C-56, to amend the Farm Improvement Loans Act.

He said: Honourable senators, this bill will extend the authority of the Minister of Agriculture to guarantee loans under the Farm Improvement Loans Act for the 18-month period from July 1, 1985 to December 31, 1986. This extension of the minister's authority is recognition of the importance of this legislation within the credit system of Canadian agriculture.

In these economic times, farmers, like other small business operators, must pay close attention to their books as well as to their land. The successful ones are good business people who understand how credit matters affect their operations. However, in examining government programs in the agriculture credit area, it is important to keep in mind the farm community's special characteristics. Farming's cyclical nature demands that producers have a good handle on their cash flow requirements. Farming's dependence on the weather and market prices means that producers must be highly knowledgeable about methods of stabilizing their income. The tendency—indeed, the necessity—to plough profits back into the farming operation means that, even after being in the business for years or generations, many farmers continue to require a reliable line of credit.

Finally, farming is extremely capital-intensive and, again, that has certain credit implications. In the result, it is simply not enough to recognize that farmers need credit. What they need is a flexible range of credit options. Without this, the sort of long-term planning, so important to effective, efficient planning, would be impossible. FILA provides an option to farmers, which meets a very specific need—that of the intermediate-term financing to cover capital expenditures.

• (1730)

The act, itself, introduced some 40 years ago, authorizes ministers of agriculture to guarantee against losses on term loans made to farmers by chartered banks, Alberta Treasury branches and other designated lenders. Producers are able to have several outstanding loans under this program to a combined ceiling of \$100,000. The maximum repayment period for loans to cover the purchase of additional land is 15 years, while for all other purposes the term is 10 years.

Since its introduction in 1945, the act has been amended several times, primarily to effect further lending periods. Just to give some idea to honourable senators of its impact on the farming community, since the introduction of the act, until the end of last year, about 1.9 million loans have been approved totalling in excess of \$5 billion. This reflects a sizeable capital investment in the agricultural sector. During the same period, \$17 million, that is, a fraction of less than one per cent, was paid in claims, of which \$2.8 million was subsequently recovered. I think honourable senators would agree that that is not a bad record, and I think farmers, generally, are a very good credit risk.

I might also point out that, prior to the introduction of the act, lending institutions were reluctant to extend intermediate-term farm credit. However, during the years following the program's introduction, lending institutions came to recognize that farmers are, indeed, good risks. As a result, numerous banks and other lending organizations have entered the field with their own programs for intermediate-term farm loans. In this sense, FILA played an instrumental role in expanding the number of farm credit sources open to farmers as well as raising the level of intermediate credit available to them.

I am sure all honourable senators have noted with satisfaction the declining trend in interest rates. This trend with interest rates, if it continues, will be favourable news for farm producers who took out, or who plan to take out, guaranteed loans through FILA. The ceiling on loans made under this program is equal to the prime lending rate of chartered banks plus one per cent. Therefore, as our economy improves, and interest rates reach even more favourable levels, this program will become all the more attractive.

A few statistics might help to further illustrate the significance of FILA to the agricultural sector. In calendar year 1984, in excess of 12,000 loans were guaranteed under the program, amounting to \$159 million in loan capital. These loans were made for a variety of uses, the bulk of them, \$105 million worth, went toward buying agricultural implements. The remainder funded such things as the construction or repair of farm houses and buildings; land purchases; land improvements and irrigation; livestock purchases; and equipment overhauls.

While producers in every province have benefited over the years, historically, western Canada has depended most heavily on the program. In 1984, for example, loan capital guaranteed to producers under the act in the four western provinces amounted to more than \$133 million. That amounts to 83 per cent of FILA's total during that year.

Honourable senators may feel that this 18-month extension to FILA is relatively short; however, there is a good reason for that. The Minister of Agriculture will be using this time to review the act to ensure that it is meeting current needs. If necessary, changes will be introduced at the end of the extension period. Among other things, he is interested in examining whether this program could operate in combination with Farm Credit Corporation programming.