Cash Assurance Program

want security, so they group together under different unemployment schemes and so on. The primary producer wants to be able to tide himself over the lean years. In recent years the requirement for cash has been growing immensely. It does not make very much sense to provide the cash on one hand through programs such as farm loans, and then all of a sudden one day find that there is a shortfall or income shortage, and that producers are facing bankruptcy.

I have noticed it is the young, energetic producer who provides income stability and good economics for the country in the future. Not only does this provide a difficulty for that individual, but it creates problems for the government. It creates problems because there is no realized income. Over the years programs have been subsidized from time to time, which was a quick solution. Since we are indoctrinated with the idea that a subsidy is necessary, it is somewhat abrupt to change our thinking overnight and say that we will cut off all subsidies and move into a system which provides no subsidy at all. If that were done, an adjustment in attitude would be necessary. Since so many programs are in existence which incorporate the idea of subsidy, I would like to move away from the subsidy plan, at the same time providing a measure which incorporates a businesslike approach. This is not necessarily the only solution, but the primary producer could make a considerable amount of contribution into what could be regarded as an insurance plan.

I think the arguments in support of the program which I am about to explain are abundant. In order to provide an explanation as to how the plan would work, I should like to deal with the first proposal, the funding of such a scheme. Under existing proposals in western Canada such as the western grain stabilization program, the producer pays 2 per cent and the government contributes double that amount. I would envisage that the contribution by the producer would be increased from 2 per cent of his total sales to 3 per cent, and the government contribution in this case would be 6 per cent. All producer sales would have to be entered into a producer book, similar to the one that is in existence for grain.

Also my plan would envisage the incorporation of farm to farm sales. It would be to the benefit of the producer to indicate that he has a higher return for a given year. I say that because in a year when no payout would be necessary, his productivity and realized income would increase. I have in mind a plan which would take into account a five-year average. As anyone involved in the farming industry realizes, incomes can be quite erratic, and this is the case in the fishing industry as well. For that purpose the five-year averaging could be taken into account. In fact, for purposes of income tax that argument has been accepted already. In every year that his income increases, his five-year average is brought up; but we must remember, for example, that last year there were problems with loss of sales or inadequate sales. He can be faced with the results of poor farming practices, weather and other factors. We could have a situation where the quota in one area was 2.9 bushels and in other areas 7 bushels. The sales may be there and the price for grain may be increasing,

[Mr. Korchinski.]

but because the quota in a particular area was small the farmers would not have the benefit of an increase in realized income.

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As I see this plan, it would provide an incentive for farmers to attain maximum production because as production increased so would income increase. For the purposes of this plan such a farmer would then be able to draw from the plan in times of need at the higher amount.

The Canadian Cattlemen's Association presented a plan in April, 1979, but after reading it briefly I came to the conclusion that it was a plan which was based on the creation of an equity fund. They would pay into the fund in better years and draw from it in bad years. That may be a good approach, but unfortunately it does not take into consideration those producers who are in their infancy, so to speak, during the early years when their cash requirements are high and they are unable to put aside funds from which they can draw in bad years. They need all the cash available immediately.

Because of the limited time available to me I will explain my plan by using examples. My plan is based on a five-year average in relation to prime producers. I think in terms of something like a maximum of $50,000, or an average of $10,000 per year. I do not think the 80 per cent or 90 per cent idea enters into this situation any more because of the inflation factor. I think we must deal with 100 per cent of the ten-year average.

Such a producer would be able to draw up to 9 per cent; that is, his 3 per cent contribution and the 6 per cent contribution by the government, or a total of 9 per cent. The forgiveable amount in this case would be $900, and that is the only portion that I suggest takes any from of subsidy. In this case if a farmer had no income at all in one year and had to fall back on this plan, he would be able to obtain a loan in the amount of $9,100. The total amount of the loan would be repayable during the production year. If the loan was not paid at the end of the production year it would immediately go into default and interest would be applied at approximately the farm credit rate.

I do not envisage a plan under which the amount that could be withdrawn would always be the $900 forgiveable and $9,100 repayable. Using the same average of $10,000, if sales in a particular year amounted to $9,800, the shortfall would be $200. In that case the amount that would be forgiveable would be $200, making up the $10,000 average.

The third example I would use in relation to the five-year average of $10,000 would be a year in which there was a shortfall of $5,000. The amount of the forgiveable portion would be $900. The loan a farmer would be eligible to take out from the fund would be $4,100. That $4,100 would be repayable in the course of the year interest free, but at the end of that production year interest would be applied to the unpaid remainder. Repayment could be made as a percentage of total deliveries or 100 per cent of deliveries. If, for example, a man took in a load of cattle on which he realized $2,000, he could