HOUSE OF COMMONS

Friday, June 2, 1995

The House met at 10 a.m.

Prayers

GOVERNMENT ORDERS

[*English*]

FARM IMPROVEMENT AND MARKETING CO–OPERATIVES LOANS ACT

The House proceeded to the consideration of Bill C–75, an act to amend the Farm Improvement and Marketing Co–Operatives Loans Act, as reported (without amendment) from the committee.

Hon. Allan Rock (for the Minister of Agriculture and Agri–Food, Lib.) moved that the bill be concurred in.

(Motion agreed to.)

Mr. Rock (for the Minister of Agriculture and Agri–Food) moved that the bill be read the third time and passed.

Mr. Lyle Vanclief (Parliamentary Secretary to Minister of Agriculture and Agri–food, Lib.): Mr. Speaker, as members prepare to give Bill C–75, an act to amend the Farm Improvement and Marketing Co–Operatives Loans Act, or as we refer to it in the abbreviated form of FIMCLA, consideration for third reading, I would like to review some of the reasons we are anxious to have the bill passed into law as soon as possible.

FIMCLA is designed to increase the availability of credit on reasonable terms to farmers and farmer owned co–operatives. Farmers can borrow up to $250,000 to invest in new technology and equipment or for a wide range of farm improvement projects. Farmer owned co–operatives can get loans up to $3 million to invest in facilities to add value to their farm products, for example the washing or packing plants for vegetables, fruit juice plants or many other applications.

These loans to co–ops must be approved by the Minister of Agriculture and Agri–Food. This is the only national loan guarantee program that can be accessed by farmers across Canada. Like other business sectors, the farm economy goes through cycles and changing credit conditions. Loan guarantees are an important tool that governments can use to ensure that credit is readily available to viable farm enterprises throughout the business cycle.

Bill C–75 will change only one clause in the act. That is the raising of the total amount of loans which can be guaranteed under FIMCLA over a five–year period of time from $1.5 billion to $3 billion. If this amendment is not passed we will soon reach the loan cap and we will have to suspend the program possibly for as long as two years. We have almost reached the point of having to suspend the program already it is so successful.

The Department of Agriculture and Agri–Food should give lenders 60 days notice if it will not be able to guarantee loans under the program. Since we expect to reach the present guarantee limit of $1.5 billion by the end of July, it is imperative that the legislation be passed as quickly as possible. Clearly, we do not want to reach the point of having to suspend the program.

The Farm Improvement and Co–Operatives Loans Act program is very popular. It is becoming more so every year. Over the last five years the number of loans registered under the program has more than tripled, from about 4,890 loans in the year 1990–91 to over 18,000 loans in the year 1994–95. The value of those loans has climbed from just under $82 million in the year 1990–91 to $515 million of loans that have been guaranteed in the year 1994–95.

We expect the activity for this year to reach $550 million. That will bring the five–year aggregate to the $1.5 billion level. With the current level of approvals, it should stay there for the next few years. At that level, a $3 billion cap will allow us to continue offering the program.

We attribute the increased loan activity to a number of factors: sustained lower interest rates and an improved farm debt situation, not as improved as we would like to see it but it certainly has improved from where it was in the past; greater participation by independent rural lenders; improved marketing of the program; and increased competition between lending institutions.

I would like to expand for a moment on the point about increased participation of rural lenders. In the early 1990s the