

Farm Improvement and Marketing Cooperatives Loans Act

The Minister is introducing as well a fee of one-half of 1 per cent or larger, whatever the Government would set by regulation, for the use of these loans. So not only does the farmer pay 1 per cent above prime, he pays one-half of 1 per cent to the Government of Canada as a service fee. It seems that at a time of severe financial crunch we should not be bringing in more user fees of this nature. On a loan of \$250,000, the maximum a farmer would be required to pay in terms of a service fee would be \$1,250. That is clearly beyond all reason at a time when Canadian agriculture is facing serious financial difficulties. I will certainly want to address this matter when we come to the clause of the Bill which deals with it.

I believe the coverage under the legislation for loans will be set at 80 per cent. The maximum loan a bank will provide for farm loans, that is, for assets, will be 80 per cent compared to 75 per cent for equipment. The present provision is 90 per cent for land, which will be reduced to 80 per cent. The present provision for equipment is 75 per cent, which will be raised to 80 per cent. So there is some improvement. But the amount of a loan that can be provided against assets for land will be reduced by 10 per cent, which is certainly a lessening of the benefit.

The existing legislation runs out today. The Government should have brought in this legislation several weeks ago when proper public hearings could have been held, when farmers could have come before the committee to analyse the issue more thoroughly. However, in spite of its lack of suitable provisions as regards restructuring of working capital and so on, as well as the introduction of the one-half of 1 per cent service fee, I think we would like to see the legislation go forward this afternoon. Without it farmers across the country who want to use farm improvement loans for the next two and a half months when the House is recessed will not have them available.

I have some questions which I would like to put to the Minister. Is the Minister prepared to bring in, by regulation, five-year fixed-rate loans under the Farm Improvement Loans Act? This is something which would be extremely beneficial. I would like to know whether the Minister is willing to make that type of commitment today.

I would also like to know when the Minister will bring in legislation to regularize the desperate financial situation in which the Farm Credit Corporation finds itself. It has gone into a negative equity position. It needs restructuring. When will the Minister implement the 9 per cent interest rate which was proposed in the national agriculture strategy by the Ministers of Agriculture and which was approved by the First Ministers last December?

Can the Minister respond to some of the questions which I have asked when he gets to the point at which he will respond to questions on clauses of the Bill?

Mr. Wise: Perhaps I should take this opportunity to respond, Mr. Chairman. The Hon. Member for Algoma has raised questions on two subject areas. One is directly related to the Bill and the other is directly related to the Farm Credit Corporation.

It should come as no surprise to anyone why the financial liability of the Farm Credit Corporation is not as favourable as it once was. I think we have to draw the attention of Members to two of the main reasons for this. One of the main reasons is the fact that the previous Government's cabinet directive to the corporation gave it no choice but to be the lender of last resort. When it was given that mandate, not by choice but by the directive of the previous Government, it assumed some higher risk loans. That is one of the contributing factors.

The other reason is due to the refinancing that was necessary, again, by people who found themselves in some very difficult financial situations when interest rates, again under the previous Government, went from 10 per cent to 24 per cent. That in itself is an added input cost of well over \$2 billion. Perhaps that is really as significant or even more significant than the shortfall that we have in grains and oilseeds.

The only measure that the previous Government took in response to the situation was the introduction of the special farm assistance program which assisted some 2,000 clients of the Farm Credit Corporation. However, additional costs were borne by other FCC clients. Since assuming office, we have introduced a special interest rate conversion program which amounts to a \$80 million commitment. We have also introduced the shared-risk mortgage, the commodity-based loan and farm debt review legislation. We have also introduced farm debt review boards which are working, and working very well. We have also introduced the Canadian Rural Transition Program.

We have every intention of keeping the Farm Credit Corporation in business. The Hon. Member also mentioned another measure dealing with equity financing. The Hon. Member for Algoma will know, since more than likely he was a participating member of the study conducted by the Standing Committee which made a recommendation to the Government, that we are now dealing with that recommendation. We will have to respond to the House within a certain timeframe with respect to it. So we will be meeting that timeframe and responding, I think quite positively, with respect to other measures that could be taken with respect to equity financing. As the Hon. Member knows, there are other partners involved. We have been working with the provinces, primarily Saskatchewan and Alberta. This subject matter will be further discussed when I meet my provincial counterparts the second week of August in Quebec City.

With respect to the five-year fixed rate, yes, we are favourably inclined to give that matter serious consideration. I suppose that my only personal thoughts would be that if we do deal with it by regulation then that would leave the option