

Unlike others such as homeowners who are caught with a major borrowing, floating interest rates, and no control over their interest costs, farmers owed an acceptable amount of money at a set rate and they knew that they had some cash flow. We all know what happened a few years ago when interest rates started to climb. As a result, it was not very long before farmers could not pay their interest costs. The next thing they had to do was to capitalize those interest costs. They were paying interest on accumulated interest and it just expanded very rapidly. Today many of those producers are unable to meet their interest costs. Some of them still have equity left, but are unable to generate enough cash flow.

We have many, many small communities across Ontario and throughout Canada that depend on agriculture. Because of the hardships and the lack of money in the farming community we have seen a real depressed agri-business sector. We know that in the Province of Ontario many of the farming machinery dealerships have been unable to keep doing business because some farmers would go into receivership of bankruptcy. Next thing you know many of our machine dealers were doing the same thing. Part of the reason for that has been the cost of machinery. As interest rates rose, we saw the price of machinery rise very rapidly. You had to have a pretty good 100-acres farm to pay for a combine or something like that.

What we have found as well is that many farmers have been repairing and rebuilding machinery that would ordinarily have been taken out of service a number of years ago. Because of lack of capital they have had to repair them and make do with what they had. It is not all bad to do those things. It is one way to cut costs. Then when we are out buying new equipment, whether it is a tractor or machinery or whatever it might be, that means employment. It is very important to have a viable agricultural sector because we are going to have job creation as well.

As I said before, all of our small towns and communities which depend on agriculture or agri-business have suffered greatly. I know that in the village of Brussels where I live we have had many of the small businesses close. It is not a manufacturing town. A lot of the towns in my riding do not manufacture goods, they are retirement communities for senior citizens or people who have left the farm to spend their lives in those small towns. The tax burden has been much greater for those people as well because of the lack of business opportunities.

As well as seeing all those costs and problems on that side of it we have also seen falling commodity prices. We experienced declining net farm income last year, and all predictions for this year do not look that much better. Without doubt this is the most difficult time farmers have had in 50 years. No question about that.

I want to talk to you about the special measures for farmers contained in the Budget. Let us put these initiatives within the context of the over-all economy. Beginning with our Economic Statement in November, 1984, this Government set a clear course for economic recovery in Canada. We have every indication that we are on the right track. Inflation has held

steady at around 4 per cent since the 1984 election and we have had the most stable price environment since 1971. Economic growth during the past months has been outstanding. We saw the creation of 580,000 jobs.

• (1610)

Business investment finally began to grow in 1985 and consumer spending has been a driving force for economic growth as well. We accomplished this by striking a balance between the need for firm action to reduce the deficit and our goal to create a good climate for development.

Every Canadian has a stake in deficit reduction. Let me give a few reasons why. The cost of paying the interest on our debt has become so great that there is little room for undertaking costly new programs. Lowering the deficit also means lower interest rates, and if we can reduce the Government's demands for borrowed money by bringing down the deficit, interest rates for farmers and all Canadians are bound to come down. Finally, as the Minister put it, cutting the deficit is not an end in itself, it is a means to achieve lower interest rates, higher growth and more jobs.

Let us not kid ourselves about the deficit. It is large and it will not go away overnight. However, the Government has the courage to act. We have trimmed Government expenditures over the past 18 months and we have announced further reductions in this Budget.

For the first time in years, the deficit is declining. By taking firm measures now we are breathing life and hope into Canada's economy.

We know that Canadian farmers have not shared fully in the recovery enjoyed by other sectors of the economy. It always seems in agriculture that whenever the economy declines agricultural commodities are the first to go down and the last to recover. I have farmed all of my life and that has been the story. My father always told me that agriculture was the first to suffer and the last to recover.

The Budget reflects this situation with new measures that build on the initiatives we have taken already to assist the farm community. Furthermore, we have taken initiatives not only with the United States but with other countries in the world to develop more export opportunities.

My hon. friend, the Hon. Member for Qu'Appelle-Moose Mountain (Mr. Hamilton), mentioned China. I also believe there are opportunities for us in China. For example, as a result of negotiations with China for an animal health agreement and quarantine agreement, we have been able to export live animals and seeds and many other Canadian agricultural products to that country.

The Budget contains a farm financial package worth \$195 million over the next two years. This includes the cost of a \$700 million commodity-based loan program with interest rates as low as 6 per cent. The program has two components; a full indexing option for Farm Credit Corporation clients with 40 per cent or less equity; and a partial indexing option for clients with up to 55 per cent equity. Under the program, loan