

Farm Machinery

by the bank, which the government is guaranteeing?

Not only that, but I wonder if each one of those little farmers, who is at first glance so unhesitatingly enthusiastic about this, realizes that if he puts in only \$1,000 and something were to happen to his partners, as a result of which they are unable to pay their full share or fair share, all his individual assets could be seized and that he could be liable for the full \$50,000? This is the essence of partnership law and this, to my mind, is the greatest risk a farmer going into this syndicate idea can run. It is not just the risk of losing it all, but there is also the risk of what it does to his own borrowing ability in the interim. Once a farmer joins a syndicate he is contingently liable for the full commitment of that syndicate. Suppose he has put in \$5,000 and the syndicate incurs a liability of \$40,000 he is contingently liable for the sum of \$40,000. If he goes to a bank to borrow some money to buy a new car, for example, or to buy a piece of machinery, his borrowing ability would be inhibited by the fact that a contingent liability for \$40,000 was opposite his name. I wonder how many farmers who at first glance think this measure would be a lifesaver have given this point any consideration. In the past they may have had no difficulty in borrowing from the bank so as to buy more cattle or a new piece of machinery. It may well be that having regard to the contingent liability they would assume under this bill they would no longer be able to borrow the amounts they have been accustomed to borrow to help them in their normal operations.

I am not saying that this bill will cripple the borrowing ability of every farmer who takes advantage of it, but I am convinced that the ordinary farmer does not realize that this is a distinct possibility and I am not ashamed to say that I think this legislation should be referred to the committee on agriculture where this point could be gone into thoroughly, where it could be advertised and where members of this house could receive more instruction from farmers as to the possibility of these provisions harming their credit rating with regard to normal operations. Certainly, in setting up a scheme making it possible for farmers to expand we must take into consideration the fact that some farmers might be tempted to expand along lines they might not otherwise have considered. After all, it would take only a little money to get a big piece of expensive machinery and the people who are interested

can see the tremendous potential which might be involved. I am not saying that the ordinary farmers of this country are not shrewd enough businessmen to decide whether they should or should not go into a new line. But I have had a great deal of experience of people who have found the over-ease of getting credit to be their undoing, and we should be neglecting our duty here if we tried not only to help the farmer but to help him in the best possible way. If we cannot do it in a better way than this, we should make sure that the farmers understand the limitations.

I have not tried to work out in detail a better way of doing what is now proposed but I suggest the government should consider the possibility of proceeding by way of private companies rather than syndicates. Instead of forming syndicates farmers might form small private companies whose articles of association would contain strict provision against a transfer of shares, possibly, in the case of death, for example, and providing also that membership should be limited to working farmers. Within this context it might be possible to evolve a scheme whereby each farmer could put up only the cash necessary to get started and be subject to call for the rest of the shares. He might, for example, put out \$1,000 and be on call for \$5,000 with the understanding that if the worst came to the worst \$5,000 would be the extent of his liability. He would thus be assuming a limited liability which he could take into calculation. No matter what happened he would not be called upon to pay more. With farmers putting in this sort of money the government might work out a scheme of guarantees, guaranteeing if not 80 per cent of the loan then something fairly close to that figure. This I submit would remove the two basic fears I have. Farmers could no longer be called upon to pay the full extent of the contingent liability of the whole syndicate, and in the second place their credit ratings would not be inhibited by that contingent liability.

I have indicated that I can see ways in which small farmers could take advantage of this legislation by banding together and I do know that a great deal of co-operation is required among farmers at harvest time whether or not there is any question of a syndicate. But in the years I have been down here, remembering how much stress has been laid on the importance of the family farm and how much legislation we have passed to give such farmers a fair chance of earning a living, it occurs to me to ask how much