

Farm Credit Act

was so much loved by a former leader of our party in this house. I just use it so the minister will have a better appreciation of the lengths I am prepared to go in indicating that most agricultural legislation, and in particular this measure, is of little use in our part of the country. The suggestion I would make is that the only way it can help is if we have a more aggressive sales force.

At the present time a person who wants a loan under this act has to deal through an appraiser who works primarily for the Department of Veterans Affairs. He is a fine person, but this is not his major chore. There is an office in Toronto and one in Winnipeg. The Toronto office is 870 miles away from us and the Winnipeg office is approximately 500 miles away. In other words we are a microcosm of the Canadian structure but isolated, and not only isolated in this particular regard but also neglected and ignored.

I cannot think of any place where more political work is required to be done by the party presently in power. I could illustrate that by citing the voting figures in favour of Conservative candidates who have stood in that area. With so much political work requiring to be done, and giving the minister credit for what I call earnest confidence, I believe he should come into our area and explain to us how this act really helps our farmers, and tell us the things he is doing for the farmers in northwestern Ontario. That would be much appreciated, and I could even conceive that in doing so he might be able to make a little bit of mileage. I want to reiterate that this act really does not mean much for the farmers in northwestern Ontario.

Mr. Davis: I shall be brief, Mr. Chairman. All I really want to do is direct a few questions to the Minister of Agriculture in order to clear up some matters in my own mind, and I hope in doing so I shall be of some assistance to other hon. members who have an interest in this legislation.

As I understand it, the minister is asking for the expansion of capital for use by the Farm Credit Corporation from \$12 million to \$16 million, thereby expanding the lending capacity of the corporation from \$300 million to \$400 million. He is also asking for certain administrative changes in the act. Basically he wants to broaden and make more flexible the long term mortgage type of lending to the farmer. The farmer in Canada is typically a Canadian and he certainly needs more credit today to make his farm more efficient. In that respect I am all in favour of the broadening of credit under this legislation.

With regard to the request for greater administrative discretion in the administration of the act, I think this should be examined

quite carefully. Too great administrative discretion can lead to bureaucracy and the problems which bureaucracy entails.

Finally, in his introductory statement, the minister made reference to uses for agricultural land which are non-agricultural in character, and I wonder whether these other land uses should properly be referred to in this resolution.

The amount of money being lent under the terms of the act has risen quite dramatically during the last year or two, and there were various reasons for that. Economic conditions were not ideal, but one can also characterize this legislation, in part at least, as a loophole, an awkwardly contrived loophole, in the otherwise tight money policy of the government. We see in it an opportunity afforded to people in the farming community to obtain money on loan for long periods of time and at lower rates of interest than generally prevail across the country.

In support of that contention I shall read a few sentences which appear in the 1962 report of the Farm Credit Corporation. On page 11 of that report we read:

Despite efforts to control administrative costs, the reduced margin between average interest costs and the statutory lending rate of 5 per cent has meant that total expenses have risen from 91.58 per cent of income in 1957-58, when a net operating profit resulted, to 108.48 per cent of income in 1961-62, when a net operating loss of \$776,117 resulted.

In other words the lending showed a slight profit back in 1956-57, and last year it was at a substantial loss. The report continues:

To have avoided an operating loss during the fiscal year just ended the corporation would have required a margin, between the lending rate and the cost of money, of 1.13 per cent.

If the government had been borrowing, as I gather it is currently borrowing, at between 5 per cent and 5½ per cent, then it would have to be lending to the farmers at a rate of about 6½ per cent to break even.

An hon. Member: Do you suggest that?

Mr. Davis: I am simply substantiating my statement that this is a loophole in the government's tight money policy. I would add that in order to break even on these 5 per cent loans, the government would have to be borrowing at around 3¾ per cent to 4 per cent. I hope this will be possible in the future. It has been possible in the past, but with the present state of the Canadian economy the rest of the community can properly claim that there is a preference for the farmer.

As I said before, the farmer is a Canadian. He is engaged in an industry which, at least in terms of numbers employed, is declining.