

*Farm Loans*

In 1978, the federal Farm Credit Corporation accounted for 68.3 per cent of all long-term credit outstanding in Canada. Provincial governments were a distant second at 15.1 per cent and the banks were third at 6.6 per cent. The banks are getting out of this area once again.

As the minister noted in his speech, the growth in demand for credit is increasing at a rate of 20 per cent annually. The minister also said that the Farm Credit Corporation has been held back by federal restraint despite the extremely good repayment record of the farming community.

The minister held out in his speech the possibility of retiring farmers being able to invest in a fund with the Farm Credit Corporation with proceeds from the sale of their farms. He suggested further that tax concessions could be attached to bonds being sold by the Farm Credit Corporation in the future. These are possibilities which the minister raises. But there is nothing in the bill to indicate they will be implemented. Indeed, I would like a suitably unvarnished opinion from the Department of Finance and the Treasury Board on the likelihood that Canada should get into the tax-free bond market.

I would suggest the minister try another area. I think he should ask for provincial investment in the Farm Credit Corporation. Agriculture is a shared jurisdiction. Farmers routinely borrow from federal and provincial sources. Yet the Farm Credit Corporation dominates the long-term credit field. The Farm Credit Corporation has offices and counsellors across Canada. They have an appreciation of long-term capital needs and markets. Provincial investment could avoid duplication in this area.

In this bill we have been asked to address a shortage of capital for the Farm Credit Corporation. There is little indication in this bill that the funds being provided will prove to be adequate for anything but the short term. If the government has already reached \$143 million of its \$150 million ceiling, then I do not believe it will take long to reach this new ceiling of \$225 million.

The minister's own paper on agri-food strategy mentioned long-term financing as a major constraint against the development of food production in Canada. Given the present economic policies being followed by this government, I can see no great hope of stimulating the kind of production which the minister hopes can be sold on world markets.

If the minister seriously believes that the banks which have caused him so much personal grief among his farming constituents in recent months can be counted on as a major participant in the expansion of Canadian agriculture, he should think again.

Bill C-88 is meant to provide long term financing to agriculture. There is a great need for relief of the crisis in agriculture that is upon us. Indeed, one of the provisions of this bill is to include retroactively the \$50 million in emergency farm financing which was granted in the budget. All of us know that the \$50 million was too little and too late. The amount will help perhaps 300 young and beginning farmers who are in

difficulty with the high interest rates. The minister's own figures show an average loan of \$124,000. In other words, we can say that \$50 million will go to 363 farmers.

That is a start, and we can commend the Farm Credit Corporation staff for moving quickly to help those farmers who are in distress. But other farmers who do not fit the criteria, also in distress, are supposed to use small business bonds as financing. That in itself is a very big issue. We have heard a great deal from people who have been waiting for action on the Small Business Development Bond program since it was introduced in the November budget speech and made a vehicle for farmer relief.

The banks have been waiting for eligibility clarification. The farmers and the fishermen have just been waiting. Now that the eligibility problems have been resolved, there is fear that the rules applied by the banks will be so rigorous that few loans will be made.

While in my constituency last weekend, I was told that not one farmer has received a small business loan since November 12. The fear that the banks will apply such rigorous rules that few loans will be made is also the fear of the Canadian Federation of Agriculture.

Other fears are being expressed as well. Some people in the financial community believe that once a person convinces a bank that his financial situation is dire enough to qualify for the bond, the bank will immediately conclude that the applicant is a poor risk and will refuse to help. I am told that is exactly what is happening. Bankers do not generally believe high interest rates are the root of financial difficulties in Canada. They prefer instead to point to inadequate capital management problems and the present poor economic conditions.

● (2050)

Late last fall I surveyed my constituents concerning the effect of high interest rates. I heard a good deal about the difficulties people are facing in the renewal of mortgages. The average increase was about \$280 a month. I also heard from farmers, one of whom told me that his interest payments have increased 100 per cent in the last year. Another one told me his monthly payments have increased \$5,000 a month in the last three years. I asked him what he could cut back to keep his farm in operation, and he told me the only thing he could cut was his throat. That is my definition of dire straits, when there is nothing else you can do, and that is why I wonder how the bankers can say with a straight face that high interest rates are not the principal difficulty facing Canadian agriculture at this moment.

With this in mind I would like to dwell for a moment on the income problems facing Canadian farmers. If their expenses continue to rise dramatically, then all of us must give particular attention to raising farm incomes. If I might be allowed to use a current example which was used in a different context by the hon. member for Wetaskiwin (Mr. Schellenberger), it does little good to calculate the abolition of the Crowsnest freight rate, as economist Carl Snively has done, on the basis of a 50