

*Farmers' Creditors Arrangement Act*

for the introduction of the bill and some of the reasons why it should be passed by the house. The original legislation, the Farmers' Creditors Arrangement Act passed in 1934, was designed to give some security to the producers on the western plains against foreclosure for debt brought about by adverse agricultural conditions. The preamble of the original bill outlines that it was considered in the national interest that efficient producers of grain, cattle and farm produce on the prairies should be permitted to continue to produce.

As the result of the rather disastrous agricultural period that followed 1929 hundreds of thousands of farmers found themselves faced with economic conditions which necessitated that they should go to bankers and other credit institutions in order to obtain money to carry on their operations. Continued adverse conditions, which in some cases amounted to seven consecutive years of drought and practically no production, brought about a serious condition when the creditors sought to obtain repayment of the money they had lent and started to foreclose on the farmers in large numbers. Farmers who, through no fault of their own, had become bankrupt and did not have the means to carry on, found that their life savings and the work of themselves and their families were being wiped out. Foreclosures were extremely common. As a matter of fact, in many cases creditors who foreclosed obtained land and worn-out machinery and they were unable to make anything out of it afterwards.

In some cases the period of drought lasted for seven years, and in order to maintain the producers on the land this legislation was passed by the house in 1934. The procedure provided was that any producer, either before or after assignment under the Bankruptcy Act, could make an application before a court to file a proposal for the postponement or payment of his indebtedness over a period of years. The legislation made it possible for the farmer to take all the debts he owed to different people, lump them together and make some form of assignment under which he agreed to pay each of his creditors a certain amount each year out of the product of his toil.

I may say that the legislation, although limited in many respects and although it did not give complete justice, permitted the producer a period of time during which he could pay off his debts. It gave him an opportunity to produce and ultimately, in many cases, to pay off his indebtedness as soon as production was again possible. The return of rain, better weather conditions generally, better economic conditions and better prices

in many cases made it possible for the farmer to carry on and the farmer was able to save his property and assets and to hand them down to someone else in his family. The farmer was able to continue on the farm.

It was a very fortunate thing that the legislation saved him. The efficient producer was still on the land and capable of carrying on production when it was necessary. Shortly after the drought period, when Canada found itself in the midst of a war and needed production very badly, these efficient producers were there and did an excellent job of producing with very little help. The reason for amendment of the act at this time is quite evident. The farmers again find that they are falling badly into debt, not so much because of adverse weather conditions which affect production but rather because of the fact that higher costs of production enter into the picture. The farmer has really been producing in an extremely efficient manner but in spite of increased production the fact that his costs of operation are higher and there has been a reduction in the prices for his produce when he goes to sell it, and that in some cases he is unable to sell the commodity, has resulted in the farmer again sinking seriously and rapidly into debt.

The very nature of the original Farmers' Creditors Arrangement Act has made it inoperative. I should like to refer to the limitation found in section 7 of the act, which section reads in part as follows:

... if two-thirds of the total amount thereof—

The reference is to his debt.

—are owing by him in respect of debts incurred before the first day of May, 1935 . . .

With that provision in the act there are practically no debts with respect to which use can be made of the act and no cases where the farmer can get any redress or have the opportunity to make any kind of arrangement or assignment providing for the adjustment of payment of his debts. The main purpose of the bill is to remove that portion of section 5 from the section, to amend the other sections of the act which limit its application to debts incurred prior to that time, and to remove any reference to the particular period referred to in the preamble, that reference being to the period immediately following 1929 when serious indebtedness in certain farm areas had certainly resulted in a situation where it was beyond the capacity of the farmers to repay. The purpose of the bill is merely to make the benefits of the act applicable to producers who find themselves in that position today.

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