proposal have not yet been made known. The Committee looks forward to reviewing the Farm Credit Corporation's completed proposal at the earliest opportunity.

> **2.1 The Committee, therefore, urges the federal government to instruct the Farm Credit Corporation and the Department of Agriculture to treat the development of the FCC's equity financing proposal with urgency.**

2. Registered Farm Investment Funds

As noted earlier, the farmer's own equity for the farm business is usually generated from either off-farm employment or the farm operation itself. One means of facilitating owner/operator equity proposed to the Committee by Prairie Pools Inc. was the Registered Farm Investment Fund (RFIF).

Under the proposal, individuals wishing to enter farming could make contributions to a RFIF that would be tax deductible with interest accruing tax free. Upon withdrawal of the funds, taxes would not be assessed, providing the funds were used to purchase capital assets in a farm. In many ways, the operation of a RFIF would be similar to that of the former Registered Home Owners Savings Plan (RHOSP).

Due to tight profit margins and low cash flows, farmers probably have less opportunity to utilize Registered Retirement Savings Plans (RRSPs) than do other taxpayers. A Registered Farm Investment Fund would provide a means of investing in the farm. For many farmers, investment in the farm is a major source of retirement income. A RFIF would offer a savings vehicle to allow the purchase of initial capital assets during low-income years on an orderly basis. The scheme would also help beginning farmers who are saving to enter farming.

This proposal could complement the FCC's equity financing plan. Farmers who are leasing land could invest in a RFIF as an alternative to, or in addition to, buying company shares. In this way, funds could be accumulated for future capital purchases.

Given the low liquidity of many of today's farmers, a RFIF may be of only limited general benefit; beneficiaries of the scheme would likely be those with considerable taxable incomes. There would also have to be provision made for those farmers who have funds in a RFIF and who find themselves leaving farming.

The Committee feels that the scheme should be targeted toward individuals who wish to enter farming as a full-time career to assist them in the initial purchase of capital assets for their own farm. The Committee believes that the government should encourage equity formation by individual farmers (owner/operators) as another equity strategy to strengthen the capital structure of the farm sector.

> **2.2 The Committee therefore recommends that the federal government review the Registered Farm Investment Fund as an equity scheme for farmers and consider providing the appropriate tax exemptions for registered savings in funds designated for use in farm investments.**

3. Guaranteed Vendor Financed Mortgages

Unifarm presented a vendor financing scheme for the Committee's consideration as a means of transferring real estate without prohibitive costs. In many ways, vendor financing would be a return to financing methods prior to government intervention in agriculture, when private individuals financed much of the transfer of real estate in agriculture. Such loans still represent about 10% of long-term borrowing.