

or seasonal payments for borrowers whose revenues vary greatly with the seasons. The loans are offered at floating interest rates, which can be switched to fixed rates at the borrower's request; the amortization period may depend on such factors as the nature of the financing, available security and payment ability.

7. The Small Business Bond Program

The Small Business Bond (SBB) program, administered by Revenue Canada, is designed to provide debt restructuring assistance to small businesses, including farms, in financial difficulty; the program is a tax initiative that reduces the cost of borrowing for eligible small businesses and farms, and replaces the Small Business Development Bond program.

Small businesses and farms that

- are either in default or expect to be in default;
- are unable to obtain financing from other sources; or
- lack available internal assets which could ease the situation

are eligible to receive commercial loans with a value of at least \$10,000 but not greater than \$500,000, and with a reduced interest rate. The interest rate, negotiated between the borrower and the lender, is generally one-half of the chartered bank prime rate plus 2 or 3%. Commercial lenders are not subject to a tax liability on the interest received, since interest paid on an SBB is treated as a dividend, and interest paid by the small business or farm is not tax deductible. Although the loan is available for a term greater than one year and up to five years, it may be amortized over a longer period.

In conclusion, witnesses were generally in favour of the continuation of the various federal support and credit programs. These programs may involve certain inequities, in that they are not always well-targeted, but the current financial crisis in agriculture would have been worse in their absence.

In order that the programs become more effective and able to adapt to continually changing agricultural markets, the Committee believes that a renewed effort should be made to coordinate federal and provincial agricultural lending. The Committee recognizes the difficulties in developing a national agricultural policy, since initiatives that meet the needs of some may conflict with those that meet the needs of others; nevertheless,