

Farm Loans

Some hon. Members: Hear, hear!

Mr. Gurbini: At this time, I am particularly pleased that the Minister of Agriculture (Mr. Whelan) is in the House so that I can address several important points which I think should be included when we are looking at farm financing. I will come to those points as quickly as I can, while he is still here.

We have all awaited the changes the minister has promised in the Farm Credit Corporation for many months, particularly as the farm situation has deteriorated. The minister said many times, and I can only concur, that the problem is in the red meat industry. One of the things the minister knows well, and I think it is evident to all of us, particularly from comments made by all opposition parties, is that the farm community is now in a cost-price squeeze. It is in a vice which has been grabbing and squeezing it to death. It is something which can be approached from many sides, although there are some critical factors. The financial arrangements through which farmers must work comprise one of those critical factors.

I have recently finished a survey in my constituency. We sent out approximately 1,300 questionnaires at almost the same time the Minister of Agriculture sent out questionnaires. We did this, first of all, to ensure that our area was properly understood in the context of this broader survey, because we face some special problems. I will return to that survey in a few moments, after I refer to the changes which will be made to the Farm Credit Corporation.

I would like to make reference to the capital formation of the Farm Credit Corporation. One of the things which seems unclear among the proposed changes is exactly what will happen within that capital formation part. At this point in time we know that we have a capital limit of \$150 million. We know that if the request for an additional \$14 million were to be granted this year, we will have gone over that limit. We are now at \$143 million, and this bill would change the upper limit of capital to \$225 million. The trick is that the Farm Credit Corporation can loan 25 times the amount of its capital. The Farm Credit Corporation is requesting that the government consider giving it \$14 million. If one multiplies that by 25, that will mean a \$350 million increase in the borrowing capacity of the Farm Credit Corporation this year. That is clearly inadequate to meet the needs of agriculture right now, and it is something which should certainly be expanded by several millions of dollars at the capital side. I know the minister knows that, and that is something we need in a hurry if we are to address the problems presently sitting in the agricultural community.

The other side to that capital formation is that the 25 factor could also be changed, so that instead of only providing another \$14 million times 25, equalling \$350 million, the factor could be changed, for instance, to 30 times the capital, allowing an expansion of borrowing capacity to the Farm Credit Corporation which would directly address most of the requirements of agriculture. That would work well, and there is no reason why it cannot be done.

We must also consider the source of this borrowed money. The minister has suggested that the Farm Credit Corporation could borrow from sources other than the government in order to satisfy its requirements. One of the dangers, of course, that this bill has presented is that if the total borrowing limits are still the same, we will not really have accomplished a heck of a lot. If the government reduces its commitment and allows the Farm Credit Corporation to borrow from other sources, then the government will be off the hook as far as providing funds is concerned. However, we will really not have done anything to increase the amount of available capital within the Farm Credit Corporation. Therefore, what we really want to ensure is that the government maintains its commitment while allowing expansion of capital from private sources, if possible.

We must ensure that interest rates applying to funds borrowed from private sources are not too high. I read the minister's speech and certainly it is not clear in the bill how this could be accomplished. There was an indication by the hon. member for Huron-Bruce (Mr. Cardiff) that people were suggesting that money could be borrowed at very low interest rates. I think this must be seen before we can believe it, because the money which is presently available through private sources will certainly be lent at the best return it can get. I know that the minister, even in private conversations, has discussed the available opportunities for borrowing large amounts of money at lower rates. Before anyone can have any confidence that this will happen, we must have a much clearer indication and the confidence that the Farm Credit Corporation will indeed be able to provide money at interest rates which are much less than the current 16.75 per cent.

From all of the discussions which have taken place lately in the farm community, we know that an acceptable interest rate must fall somewhere around 12 per cent, as agriculture simply cannot bear interest rates at much above that level. I think the minister will agree with that. The question concerns the bottom line for the composite Farm Credit Corporation rate after we are done with this bill.

I will not spend time on the agri-bond concept because I would like to move on the other areas. However, the idea of farmers lending into the Farm Credit Corporation and getting a special tax consideration is not too far removed from the small business bond concept. It is a good idea and should be promoted vigorously. I hope we get a chance to discuss this in committee.

● (1630)

Other important items in this bill include the removal of the 35-year age limit. These are items that could easily be supported. This should have been done a long time ago. The hon. member for Huron-Bruce looked for a guarantee that spouses be considered. That may be accomplished in part by the improvement in the loan limits from \$200,000 to \$300,000 on up to \$500,000 for multiple-person operations. I hope the understanding is there if the wording is not.

The points I want to make go back to the realities of where the financial situation is in agriculture today, particularly in