

young men on farms; they are of equal importance. Those who are familiar with our recommendations to the Canadian Farm Loan Board will know that we advocated a somewhat lower interest rate and a longer period of repayment. We are advocating the same thing with this type of loan, the idea being to lower the annual payment that a person has to make. That is the only way that a young fellow can get started on a farm, or a farmer who is trying to improve his farm, without having a very high equity at the start. If you lengthen the terms of payment, then he can start with a smaller equity. I do not think it means that the loan is any less secure even though the payment period has been lengthened. That is our answer in respect to the matter of getting the young fellow started in farming without a heavy government subsidy. It is simply a question of making the repayment terms easier by extending the period and squeezing the interest rate as low as you can. We think, because the banks have chattel mortgages which are secured in the first place, and then the government protects them to the extent against loss of 10 per cent of the total loans outstanding, that that is practically a riskless loan. If that is the case then a 4½ per cent rate looks reasonable to us.

Now, Mr. Chairman, that is all I have to say. Perhaps there will be some questions.

By Mr. MacKenzie:

Q. Did you say that the total government guarantee is 10 per cent of the total loans? That is, one bank may lose 20 per cent and the other bank nothing?—A. No, as I understand it, each individual bank is guaranteed against loss to the extent of 10% of its F.I. loan. If the Bank of Commerce had \$10 million of farm improvement loans, then it would be guaranteed against a loss of \$1 million, 1/10 of what they loaned. But there is a grand over-all total of all banks, and when they have reached that maximum of course there would be no more guarantee for any of them.

Q. Have you any estimate of what the probable losses might be up to date?—A. In the farm improvement loans report it gives that; it is right in the annual report. Certainly the banks have not lost anything because the government itself today has taken on what small loss there has been, and it is a long long way from 10 per cent.

The CHAIRMAN: The claims, as you know, have been very small so far, but tend to be greater from year to year.

Mr. MACKENZIE: They have been small?

The WITNESS: Yes. The amount of the claims in 1954, the highest year, was \$59,000. The total to date is \$149,000.

The CHAIRMAN: Yes: it was—in round figures—\$9,000 in 1950, \$6,000 in 1951, \$11,000 in 1952, \$52,000 in 1953, and \$59,000 in 1954.

Mr. MANG: The present volume of your loans would be going up too.

Mr. ROBINSON (*Bruce*): I would like to ask the Doctor a question in respect to recommendation No. 6 in the brief.

The CHAIRMAN: We did not get into that.

The WITNESS: This deals specifically only with farm improvement loans.

Mr. ROBINSON (*Bruce*): Thank you.

By Mr. Nicholson:

Q. Mr. Chairman, on page 2, Dr. Hope had some of the figures for the period 1950 to 1954 for this table. I wonder if he could give us all the figures of average net income for the farm operator for that period. This is the table at the top of page 2.—A. You mean the 5-year period?