

Farm Improvement Loans Act

As hon. members are aware, this legislation was designed to make intermediate term credit more readily available to farmers for the purpose of financing a wide range of capital improvements. To achieve this, the act authorizes the government to guarantee each bank against loss up to 10 per cent of the farm improvement loans made by that bank during a lending period. To limit the government's over-all contingent liability, the act establishes a maximum on the total amount of guaranteed loans which may be made by all the banks during a lending period.

The use that has been made of this act since it came into force in 1945 has shown considerable growth. Whereas about \$10 million was lent under the act in 1946 the annual amount of loans has exceeded \$100 million since 1960 and grew to \$135 million in 1963. Based on the trend in lending established so far this year, 1964 loans are expected to be in excess of \$150 million.

During the period of operations under the act, technological advance and the mechanization of farms have been a dominant feature of Canadian farming, and farm improvement loans have played an important role in facilitating those developments. Although loans under the act are made for a wide range of farm improvement projects, they have always been used quite prominently to help finance the purchase of machinery and equipment. In recent years about three out of every four dollars borrowed under the act have been used for the purchase of machinery and equipment.

There has also been over the years, along with an increase in the average size of farming operation, a trend toward the use of heavier and more expensive machinery and equipment. This has been reflected in the size of individual credit needs which have been met under the provisions of the act, and the maximum amount permitted under the act to an individual farmer has been raised from time to time. While a maximum of \$3,000, established originally in 1945, served the purposes of the act for many years, this was raised to \$4,000 in 1953 and again to \$5,000 in 1956. The present maximum of \$7,500 has been in effect since 1959.

There has been evidence recently that the maximum was again becoming restrictive in relation to the needs of modern farming. To meet this problem it is now proposed to raise the maximum loan amount to \$15,000. This figure has been developed in close collaboration with the Department of Agriculture, and we believe it will help farmers to meet their

credit needs more fully with loans guaranteed under the Farm Improvement Loans Act.

An increase in the maximum loan amount is, of course, likely to accelerate somewhat the present growth rate in lending. Even without taking this factor into account, however, it is possible that loans during the current lending period ending next June will exceed the present limit of \$400 million on loans that may be made under the government guarantee. The increase in this limit to \$500 million is designed to prevent lending under the act being interrupted as the aggregate volume of loans reaches the current limit.

In the interests of smooth and continuous operations under the act it is also now proposed to add a new lending period which would run from July 1, 1965 to June 30, 1968. Based on current lending trends, a limit of \$700 million is proposed on the aggregate amount of loans that may be made by all banks during the new three year period. It is estimated that this will be adequate to help accommodate the credit needs of Canadian farmers during that period.

Hon. members will appreciate that the nature of the proposed amendments is, in a sense, a measure of the success of this legislation. In this the co-operation of the banks deserves recognition. It is a good indication of the soundness of the scheme that on a total loan volume of close to \$1.4 billion since inception, accumulated losses during this period have been only slightly above one tenth of one per cent.

In conclusion may I say that the Farm Improvement Loans Act has been an important instrument in helping Canadian farmers to meet their credit needs, and that the amendments to the act now proposed will, I am confident, further contribute to the improvement of living conditions of Canadian farm families and will further encourage the development of Canadian farming.

Mr. Danforth: Mr. Chairman, we in the official opposition certainly welcome the introduction of this amendment to the Farm Improvement Loans Act. We had hoped that this resolution might have been brought in at the time of the amendment of the Farm Credit Act and before the debate on the flag took place. We certainly do not wish to quarrel at this time with this laxity on the part of the government, nor do we wish to put this matter into the partisan field. However, we should like to state to the government that our constant pressure to have this