

Farm Credit Act

of the day. I assume many hon. members are dissatisfied with the answers given to their questions, and possibly members of the government are dissatisfied with the questions asked of them. I suggest very earnestly to hon. members that points of debate should not be raised by way of points of order.

Mr. Mazankowski: Mr. Speaker, in view of the fact that the Wheat Board annual report is published under the auspices of the minister in charge of the Wheat Board, it is my firm opinion that the statements in the Wheat Board report should be factual, and the statement the minister made to the House today is not in accordance with the facts contained in the report.

Mr. Speaker: Order, please. The hon. member may be right. I cannot judge, of course; the only thing I can judge is that this is not a point of order. Orders of the day.

GOVERNMENT ORDERS

FARM CREDIT ACT

AMENDMENTS RESPECTING LOANS AND POWERS AND CAPITAL OF CORPORATION

The House resumed, from Tuesday, May 2, consideration of the motion of Mr. Olson that Bill C-5, to amend the Farm Credit Act, be read the second time and referred to the Standing Committee on Agriculture.

Hon. H. A. Olson (Minister of Agriculture): Mr. Speaker, when it was time for adjournment last night I was dealing with the considerations that entered into the adjustment of interest rates on farm improvement loans to a higher rate than the current rate being charged. I want to pursue that argument briefly in the few minutes left to me. There was another major purpose of the amendments contained in Bill C-5 with which I did not deal in my remarks yesterday and I should like to comment on that now.

The amount which the corporation may lend to an individual farmer in the form of a supervised loan and that is, under Part III of the act, with land and chattel security, is substantially greater than it can lend on a standard mortgage loan under Part II, with a land mortgage only. As hon. members are well aware, the difference is from \$40,000 to \$55,000 at the present time and, of course, this is going to be changed. At the present time, the farm mortgaged to the corporation must be an economic unit. Some farmers may have economic units with part of the land being subject to a mortgage to some other party on reasonably favourable terms and it should not be disturbed. The lands may also be leased on a relatively long term basis from a province, for example, where there are Crown lands, or other owner. Bill C-5 proposes to authorize the corporation to lend under Part III in these circumstances, on the remainder of the farm, which can be put up as security. As I said, this is an improvement which we would like to make as a result of the practice in the field. We think it is not necessary to restrict Part III lands to a loan on the total of what may be involved in an

[Mr. Speaker.]

economic unit or indeed on the total land area that the farmer may farm.

I should like, now, Mr. Speaker, to return to the comments I was making at the hour of adjournment last night with regard to interest rates. As hon. members know, the interest rates that have been charged by the Farm Credit Corporation are really quite modest in relation to the long-term mortgage rates available for the same length of time from any other source. Indeed, I think it is fair to say that when the Farm Credit Corporation rates hit their peak, that is 8½ per cent and some of those for terms as long as 29 years, no one, no matter how good their credit rating, could borrow money for that long period of time from any commercial enterprise at anywhere near those rates, let alone money strictly for agricultural credit purposes. Although the loans are made on a long-term basis, generally from 20 to 29 years, the rates that are charged to farmers are based on the yield on intermediate term government bonds, that is on bonds maturing in five to ten years. This is substantially lower than the longer-term rate. If the rates were set on the basis of long-term bonds then, of course, they would be significantly higher than they are at the present time.

Ordinarily, on long-term mortgages, the borrower cannot repay or prepay the loan during the first five years; he is locked into an agreement on most of these long-term mortgages for at least the first five years. Farmers who borrow under the Farm Credit Act may repay or prepay without notice and without bonus at any time.

As I said earlier, we have looked at the possibility of arrangements whereby mortgages would be or could be reviewed every five years, with the rate moving up or down in accordance with the interest rate at the time of review. This arrangement might seem desirable in that it would prevent borrowers from being locked-in with a relatively higher rate throughout the lifetime of their loan. It has a disadvantage, however, in that it would add an element of uncertainty to farmers' future costs, and if increasing interest rates happened to coincide with a period when farmers' incomes were relatively low, an increase in the interest rate would add to their financial difficulties. This accentuates the danger of endeavouring to change the basis upon which interest rates are charged, based on a particular situation at any point in time. It is important, therefore, Mr. Speaker, that if at any time in the future a change is made on the basis of changing interest rates on loans to farmers, it must be made on the basis of long-term prospects and be such that it will continue to be equitable during periods of fluctuation in interest rates and in farm income.

Interest charges are clearly visible costs to farmers and it is a natural desire that they want these to be as low as possible, or at least relatively low. However, I think we have a responsibility to look beyond these highly visible costs of interest payments, to the long-term effect of reduced or subsidized rates. I say that because the availability of long-term credit to farmers at rates which are low and not subject to market influences will, and experience has shown this, be reflected very quickly in the price which farmers are called upon, and in some cases are willing, to pay for capital investment. This is particularly true of land. I have satisfied myself by looking at the