

Every rural centre has a bank or credit union but not all have FCC offices. In addition, the Farm Credit Corporation does not guarantee loans made by competing commercial lenders. Those lenders would not likely welcome audits by the FCC as is required under FIMCLA. So there is really no way FIMCLA could be offered by the FCC.

• (1250)

It has also been suggested that FIMCLA should be amalgamated with the Small Businesses Loans Act. The problem with this idea is that the FIMCLA loss ratio is significantly less than the SBLA program. Most FIMCLA loans are made to establish farm operations because assets taken as security for FIMCLA loans generally have a higher disposable value.

This gets back to what I was originally saying. Farms are highly capitalized, therefore they also have capital to put up for credit purposes more so than to some smaller type businesses. As a consequence there are fewer loan loss provisions. It would be unfair to charge farmers higher interest rates and registration fees to subsidize small business loan losses.

In addition, most commercial lenders have segregated their commercial lending and agricultural lending divisions. Government loan guarantee programs currently mirror this structure.

FIMCLA gives farmers a better interest rate than they could normally get and allows them borrowing credit with only 20 per cent equity. In other words, they have the ability to get up to 80 per cent financing on their assets.

Finally, there has been some confusion about the meaning of the loan cap. The legislation provides that the total amount of the loans registered over a rolling five-year period will not exceed \$1.5 billion. This legislation is really quite simple in that it doubles the cap, increasing the total cap to \$3 billion within the program.

The parliamentary secretary was saying earlier that we were quickly approaching that cap. If we do not pass this legislation shortly we will have to curtail the program. I can assure members that as the spring work continues on the farms that some farmers would be unduly penalized if for some reason this legislation did not continue.

I repeat, this is the total amount of loans registered over the five-year period. It is not the total amount of loans outstanding because at any one time repayments have already been made on the loans registered in the first four years of the period.

Government Orders

In other words, it is a total loan application. Loans come and go. The total exposure of the government is substantially less than even \$1.5 billion today or \$3 billion in the future as we increase the cap.

The government's liability on the program is for defaults. Historically these have been very low, around 1 to 1.5 per cent. I can assure members that this is a very significant loan loss provision. It tells members a lot about our farm communities. It tells you that these people pay their bills. In spite of the fact that they are highly capitalized, and they do have a high debt structure, once again it is because of their type of operations.

I know this quite well because I actually farmed at one time. I can tell members that every time there was an extra dollar on the farm, it seemed to go back into some form of equipment. This is why farmers are highly exposed when borrowing.

I understand that all the parties I have heard of today are still in support of this legislation. I encourage members to pass it forthwith.

Mr. Lyle Vanclief (Parliamentary Secretary to Minister of Agriculture and Agri-food, Lib.): Mr. Speaker, I wonder if the member for Durham would comment on a couple of matters. I ask his views.

Earlier this morning, the member for Frontenac from the Bloc Quebecois made the statement that he did not feel that the minister of agriculture could represent farmers from the province of Quebec because he was not as fluent in both official languages as some other people might be. Does the member for Durham agree we must be totally fluent in both official languages to represent each other?

The member for Frontenac certainly professes to know about agriculture in Canada. I feel that I know a fair bit about agriculture. We may or may not be as fluent in languages as we would like to be.

• (1255)

I compliment the member for Durham on his comments when he explained to the House, and hopefully the member for Frontenac understands the point he was making, that there are a number of management tools and different types of loans that need to be available to primary producers and co-operatives in Canada. One is the Farm Credit Corporation, which is used for land purchases and other major purchases along that line. Another example is the farm improvement or the FIMCLA loans which are usually used for renovations, improving buildings or buying pieces of equipment which are important and can be major.

Does the hon. member agree that we need these types of vehicles? I question the sincerity of the member for Frontenac when he says this is a duplication. They are different tools serving different purposes.