

*Farm Loans*

The only other specific aspect about the bill about which I have some concern is proposed Subsection 3(1). It is very short, and I will just read it as follows:

There shall be a corporation to be called the Farm Credit Corporation consisting of seven members, each of whom shall be appointed by the governor in council to hold office during pleasure for a term not exceeding ten years.

Is such stilted phrasing really necessary? I ask that question very sincerely. "During pleasure" to me sounds as if an appropriate or prospective member might be reluctant to perform under such a job description. I single that out because I really question whether the legal advisers of the framers of this bill used appropriate words there. That is why I have singled it out.

I think it was last night that the Parliamentary Secretary to the Minister of State for Small Businesses and Tourism (Mr. Ferguson) pointed out, in his contribution to this debate, that the Farm Credit Corporation was originally intended only as a lender of last resort and that the legislation was changed, in his own words, as needed to alter this earlier provision.

I have some personal views on this matter of whether the federal government through any agency, but particularly through the Farm Credit Corporation, should indeed become involved in making loans to farmers in open and public competition with other lending agencies. In other words, I am saying there was some merit—and I think very much merit—in using the original concept of a lender of last resort. Too often I have seen evidence in southern Alberta and southwestern Saskatchewan of the Farm Credit Corporation's stressing the term "economic unit" too much in assessing an application for funds from the FCC. Too often the FCC has encouraged, especially young farmers, to borrow excessively. If a young farmer wished to borrow to buy a quarter section, the FCC suggested that to make an economic unit, perhaps the young farmer should finance a half section or even more, against, I am sure, the better judgment of that person's father, if he was born and raised on a farm. I have seen evidence of this many times, especially where a young farmer makes application for an FCC loan and is turned down because, in the opinion of a representative of the FCC, he did not have an economic unit and perhaps should borrow for a bigger quantity of land.

I think this has had negative results over the years. Borrowers got into real trouble, especially over the last few years and most especially in 1981 when interest rates were at 20 per cent or, in many cases, considerably higher. I need not draw pictures of that one. Hon. members know what happens to young farmers making annual payments when interest rates get that high. However, perhaps the most serious end result of this program is that there was a definite tendency, as a result of this program of easy money coming from the federal government, toward overinflated land values. There is no doubt in my mind that in western Canada farmland values increased too rapidly. This is easy to say now when, due to a combination of inflation and the current budget, land values have ceased to increase. In fact, in some areas they are beginning to drop back. That is a clear indication of problems

associated not only with an overgenerous supply of lending money but also with the current budget.

I must say too that there is a clear association between the fall-off in farm values and the cancellation of income-averaging annuities. Hon. members all know that it was the traditional method adopted by a farmer selling out to his son or to a third party and establishing his own pension for the balance of his life for him and his wife. I think the cancellation of that practice by the budget contributes to a situation in which now over a huge area in the west there are no farm or ranch sales at all. We are going through a difficult period. People who want to retire, and especially those who decide for other reasons to sell their farms or ranches, are so uncertain about the ambiguity of the new budget that they feel that the proper course is to do nothing and to wait for further clarification of some of these provisions.

The one which bothers most of them is the forward-averaging provision in the budget. This one is exceedingly difficult to understand. In spite of the fact that the policy branch of the Department of Finance has come out with a model attempting to explain how that forward averaging will work, there is still a sense of distrust and bitterness because of the abrupt cancellation of the well accepted and traditional method of setting up income-averaging annuities for the retirement of farmers and ranchers.

This leads me to another comment I would like to make which concerns the concept of establishing an income-averaging trust proposal. Some hon. members will remember this idea. It was proposed two or three years ago, or perhaps even earlier, by the Canadian Cattlemen's Association as a means of allowing individual cattle producers to set up their own stabilization program on an individual basis. It was just a common sense proposal which allowed producers to use the good years in the cattle business to pay for the bad years. When producers had a good year and sold their cattle at above average traditional prices, they could invest their money in personal trusts without paying taxes on them until they had a bad year, and then they would withdraw funds and pay their taxes in the year they used those funds. I call this a good, common sense arrangement.

● (2140)

This proposal has been placed before the policy branch of the Department of Finance, so officials are well aware of it as is the Minister of Agriculture (Mr. Whelan). In view of the problems we are having at present with the forward-averaging concept that was proposed in the budget and the cancellation of the income-averaging annuity, perhaps it is high time that we looked at a concept which would allow the farmer, the rancher, or anyone in any branch of agriculture to set up a private stabilization fund. I propose this in all sincerity, Mr. Speaker, and I think we should look into it.

Another concept that has been suggested is the use of the same funds, from the broad area of agriculture, by the Farm Credit Corporation. There would be distinct advantages in this. For every farmer that has to borrow capital, generally