The Canadian Bankers' Association also pointed out encouraging signs of an improvement in the financial situation of farmers. Non-accrual farm loans peaked at $747.3 million in July 1987 and fell to $416.4 million in April 1989. Saskatchewan accounted for nearly half of this amount, or $207 million. These loans correspond to arrears of more than 90 days. The losses incurred by the banks on farm loans, which are in fact write-offs, peaked at $144 million in 1986 and dropped to $111 million in 1988.

The Committee did express some concerns about the impact of the rescheduling or writing-off of farm debt. Though most witnesses were unable to say whether the drop in the overall level of farm debt was due to these two measures, they did agree that they had played a major role in reducing the financial stress in the agricultural sector.

The Committee feels that the statistics do not either adequately or accurately reflect the industry's recovery. The situation in the Prairie provinces, especially in Saskatchewan, remains critical, although recovery may be stronger in other parts of Canada. In addition to financial stress, these high debt levels have also led to emotional stress for families. Besides leading to family violence, suicides, and substance abuse problems, this stress may lead to decisions made not on the basis of management information, but rather on the basis of emotion. Obviously, this emotional stress is not captured by the statistics.

The farm credit corporation

In its 1988 report «Financing the Family Farm to the Year 2000,» this Committee recommended that, at that time, the Farm Credit Corporation (FCC) should retain its role as a direct lender. Is this still the preferred role of the Corporation?

In its appearance before the Committee, the Canadian Bankers' Association (CBA) noted that since 1987 the mandate of the FCC has changed. The Corporation has moved toward competing with private sector lenders as a lender for viable farm businesses, rather than remaining as a lender of last resort. In the process, the CBA feels that the Corporation «has abandoned high risk situations...» The CBA suggested that such competition is unfair, since government agencies do not obtain their funds in the marketplace and do not adhere to the same regulations as private sector lenders. The CBA noted that if the FCC maintains its current mandate, then the private sector will likely reduce staff and programs aimed at the agricultural sector. In turn, there would be a detrimental effect on some rural communities as banks removed branches from them.

It is the CBA's position that the FCC should provide programs and services that are complementary to, rather than competitive with, those available in the private sector. It should also be instrumental in the implementation of the government's public policy goals in relation to agriculture. Several suggestions were made by the CBA in this regard. First, the administration of all federal financial assistance programs to the agricultural industry could be coordinated through the FCC. These programs could include loan guarantees, interest rate programs, or assignable risk management programs. Second, the CBA feels that loans which are not commercially acceptable could be referred to the Corporation for the adjudication of guarantees. Further, the FCC could provide farm management advice and educational services, while also undertaking research and development in the area of farm finance, including accounting principles and analysis. Clearly, the CBA feels that the FCC should not be a competitor in the agricultural lending market, but instead should return to its former mandate whereby it essentially served as a lender of last resort.

In its most recent Annual Report, the FCC noted that with the clarification of the Corporation's role, it can no longer be considered a lender of last resort, but must instead operate on a break-even basis in the provision of mortgage credit and complementary financial services. This revised FCC mandate, then, conflicts with that envisioned by the CBA. The Corporation views itself as «an alternative source of competitively priced credit.» Is this the best role for the Corporation?

In some sense, the FCC is duplicating some of the services already available to agricultural producers through private sector lenders. It may be that some individuals view this duplication as being a poor allocation of increasingly scarce government resources.

As well, if the FCC maintains its competitive role, a gap in the farm lending system may appear. Some farmers might not be able to obtain necessary credit because they are regarded as having commercially unviable farm operations. The option for such producers include exit from the agricultural industry.