

*Insolvency Act*

ture across Canada, 13.6 per cent is in arrears. Of those arrears, 45 per cent are on loans made in the last five years.

The first farmers to fail were those who were in the red meat industry and those who had just started a farming operation, had made management errors or did not have the capacity properly to manage a farm operation. At this point, however, Mr. Speaker, it is very clear that bankruptcies do not occur among producers of only one commodity or only with young farmers or farmers who have just begun in the farming industry. Bankruptcies occur right across the board. Farmers who have been farming for generations and have not bought any expensive equipment or changed their farming practices over the past few years are getting into significant trouble now. As we see the future unfolding now, it is indeed a very bleak future for them as well as for the community as a whole.

There have been a lot of changes, Mr. Speaker, in the last few years in terms of world markets, world commodity prices and protective mechanisms in the European Economic Community, Japan and even in the United States. With these measures and the consequent difficulties our producers have in gaining access to world markets, farm commodity prices have remained at low levels. Farmers have had low returns while they have had all these other pressures, including the interest rate factor, coming at them from the other end in terms of input costs.

One of the important factors to consider in the situation of the farm community today, Mr. Speaker, is that of land equity. In many areas the equity of farm land has decreased by as much as 50 per cent. For many farmers, the equity they had in their land provided the basis for additional borrowing to overcome the decrease in net return because of low commodity prices on the one hand and the high input costs on the other hand. The decrease in value of their equity has resulted in their inability to refinance in many cases. It has also put many other farmers in danger who would otherwise perhaps not have been faced with any serious economic pressure. That factor is a variable which no one has much control over. It depends upon interest rates, farm commodity prices and a whole range of factors which in themselves will reflect on farm land prices.

Twenty-five per cent of our farmers produce approximately 75 per cent of our farm produce. These active, enthusiastic producers are really the entrepreneurs of the farm community. They have been producing large amounts of grain and all sorts of farm produce. It is this upper crust which is being most seriously affected. They have had the most economic activity and have probably been contributing in the most major way to our farm production.

The net consequences of all those factors is that in 1979 there were 125 farm bankruptcies across the country and in 1983 there were 488. In the first quarter of 1984 there was another 42 per cent increase. From 1979 until the end of 1983 there was a 350 per cent increase in the number of farm bankruptcies. In the first quarter of 1983, as compared to the first quarter of 1984, there was an additional 42 per cent increase. Those figures clearly indicate that we have a serious problem which should not be addressed with just bankruptcy

legislation. We should be working harder on it at the other end. However, it indeed reflects a need for bankruptcy legislation which is sensitive to the needs of agriculture and to the plight experienced by many fishers.

The ten-day period of extension is very significant to farmers who, as an example, take their produce to auction barns for sale. Lending organizations or institutions which might force a secondary agricultural operation, such as a cattle auction barn, into bankruptcy would not be able to recover any profits which were not legitimately theirs. In some instances farmers have taken their cattle to the auction barn and perhaps even after their cattle have been sold they have been forced into receivership or have faced bankruptcy. Those primary producers have experienced very serious losses, sometimes up to hundreds of thousands of dollars, through no fault of their own.

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In some cases the institutions could be criticized while in other cases the producers may deserve the blame. However, the fact is that a ten-day extension, if that is what it is, should satisfy situations in many cases when the primary producer will have an opportunity to look after his own best interests. In that period he may be able to recover those moneys which are owed him and not be left exposed and vulnerable.

There were changes to the Bank Act a couple of years ago which would have, at first blush, been seen to give some protection. It is clear that lending institutions have been able to get around that section of the Bank Act through other mechanisms. I suggest that this type of proposal will be valuable to those involved in agriculture.

The second point that we raised concerns receivers. While it would be unfair to suggest that all receivers have acted unreasonably, it would be equally naive to suggest that there was not a serious problem with respect to receivers. It is a difficult situation and, in many cases, an unhappy one particularly for those who are directly affected.

There is much difficulty in justifying the consequences of the action of receivers. These adverse consequences are reflected in certain cases involving small businesses and there are easily identifiable consequences that have occurred in agriculture. For instance, a sale of farm equipment in a receivership situation may occur at precisely the wrong moment in the yearly cycle to get a reasonable return on the investment that has been made by a farmer. If one tries to sell 20 tractors in November, in most parts of the country one can anticipate a minimal recovery compared to the real value of that equipment. This has been the experience of many farmers who are in a bankruptcy situation. There should be a rational and legal requirement for the receiver to justify his actions to ensure that there is at least a commercial consideration given to the value of the goods for which he is responsible when he is called in.

Ultimately, it is not only those who are directly affected who seriously suffer but also the lending institutions that have failed to recover a significant portion of the money owed to them as a result of the actions of the receiver. The receivers