ter's department, can come up with new ideas for funding these small businesses, and particularly farmers, the idea I have mentioned should be considered. Many small businesses are forced to borrow money at the current exorbitant interest rates and, unless they receive a substantial increase in the price of their commodities, they will not be around this time next year. It is that serious. We are getting to that point in agriculture where credit is probably the greatest management tool agriculture has.

● (1610)

[*Translation*]

Mr. Bussières: Mr. Chairman, I have listened with a great deal of interest to the comments made by the hon. member for Lisgar and I can assure him that I would be very glad to get the papers he referred to concerning agricultural development revenue bonds, and he can be assured that we would study them. I am sure my colleague the Minister of Agriculture, will also be interested in them. I also agree with him as to the importance of agriculture. I suggest energy is not the only problem in the world today, but food and the production of protein are another serious problem facing mankind. I agree with him that we should take heed of our country's tremendous capacity for protein production. It would be most unfortunate if we failed to make that production available by not providing our farmers with the money they need. So I would appreciate it very much if he could supply us with these documents, and he may be assured that we will give them very close attention.

[*English*]

Mr. Riis: Mr. Chairman, I have a short statement before I pose my question. It is just for clarification. I was not suggesting for a moment that the Small Business Development Bond does not help small business. That is obvious. However, by my calculations when the interest rate goes above 2.5 per cent above half prime, the greater advantage then accrues to the lending institution. Since this bond was primarily designed to support small business, when you look at the interest rates which most banks are charging on the Small Business Development Bond, it is in excess of 2.5 per cent above half prime, which means the banks are the major beneficiaries. I assumed that was not the intent of this legislation. It is simply a statement.

My question is this: as others have indicated, the unincorporated business and a number of other exclusions from this particular clause eliminate most small businesses in Canada from participating in this legislation. Would the minister or his officials be able to agree with my calculations, which would indicate that perhaps nearly 95 per cent of small businesses in Canada are excluded from benefiting from this legislation because of the qualifying clauses? If not 95 per cent, what percentage would the minister say is fair?

[*Translation*]

Mr. Bussières: Mr. Chairman, I will deal first with the latter part of the question. As soon as a business is incorporated and meets the criteria, it becomes eligible. It is claimed that the criteria requirements will eliminate 95 per cent—that is the figure quoted—of the small businesses which might apply for these bonds. That is not consistent with our own estimates or those I obtained when I inquired very briefly from some of the lending institutions which have indicated that they had received a great many applications over the past few weeks and that all the applicants appeared to be eligible.

I suggest, therefore, that to be able to arrive at such figures, one would have to have access to all the applications which have been filed and be able to determine those which have been turned down because of the qualifying clauses in the legislation. I do not think that this would be technically possible at this time, because it would require having all these applications. The estimates we have now seem to indicate that the hon. member's concern is unfounded.

Concerning the interest rates and the profits lending institutions are likely to reap from the businesses which will apply for these bonds, if we take an 18 per cent basic rate and divide it by 2, we get a rate of 9 per cent. The additional 2 per cent rate which the bank would require would raise the interest rate to 11 per cent and that would be shared as follows: 7 per cent to the small business, and 2 per cent to the bank. It goes without saying, then, that there is a net benefit to the small business.

And as I explained earlier, it was quite obvious from the original draft of the Small Business Development Bond that it has never been considered as an incentive designed to encourage financial institutions into lending money, but as a means to allow businesses in need of money to expand without having to labour under an unduly heavy financial burden in these difficult times when interest rates are very high.

[*English*]

Mr. Mayer: Mr. Chairman, I have just a couple of brief points. In response to the minister's question a minute ago, I would like to point out what we are doing with high interest rates. We are trying to attack inflation from the demand side. When we get to interest rates at the level they are, I would argue very strongly in terms of agriculture that we affect inflation very adversely on the supply side. The Small Business Development Bond, if it were expanded to include the cattle industry, and I will be specific here, could help us on the supply side by encouraging production. It may cost in the short run, but in the long run, because of the nature of the cattle business, it will help us in a two to three-year period to increase supply and thereby address some of the problems of food price increases.

Let me give you some examples. I have been farming for about 25 years. When I first started selling cattle, they sold for roughly 19 to 20 cents a pound. The interest costs right now to raise an animal to slaughter weight are approximately equal to what cattle were sold for 20 or 25 years ago. In some areas of