(2) to facilitate entry into and exit from the industry by farmers;

(3) to provide lenders with options in administering recovered properties; and

(4) to provide investment opportunities in agriculture.

Provincial participation in the scheme would be optional. Saskatchewan and Alberta have already indicated interest in the scheme. The initial role of the federal government would be to provide a political and legislative environment for the establishment of the trusts, initial "start-up" capital, and financial support in the form of cash and/or land. If the support were in the form of cash, federal government funding would be on a dollar-for-dollar matched basis with the provinces, to a maximum dollar amount per province. Alternatively, the federal government could provide FCC lands, in which case the provinces would provide a matched cash equivalent of the value of the land.

The provincial trusts would purchase part or all farm assets from farmers and lenders and would give farmers the option to lease back the assets. Properties acquired would be on the basis of their investment value or the productive market value from the expected revenue to be generated from a lease contract, minus the company's financing and operating costs. The lease would be long-term, up to ten years, and would contain a provision offering the farmer a buy-back option. Payments for the assets purchased from farmers would be up to 80% of the value in cash and the remainder in company shares; payment to lenders would initially be in the form of company shares, but later would be 40% of the value in cash and 60% in company shares. Shares could be purchased by farmers at any time, and could be used as a downpayment to purchase leased assets. Shares would be redeemable in the market when they became publicly traded.

Determination of lease payments and the buy-back option mechanism would be established at the time of purchase of the farm assets. Leases could be of three types:

(1) cash — a fixed price per unit would be established;

(2) fixed product — a fixed production equivalent would be established, where the annual lease cost would vary with the price of the fixed amount of product; and

(3) crop share — revenues and expenses would be received and paid in a fixed proportion established between lessee and lessor.

Contact between the farmers and the provincial subsidiaries would be through federally or provincially certified agents who would assist farmers in developing recapitalization and leasing options. Agents would be largely responsible for providing extensive management support and expertise to the farmers. The farmers would be required to make periodic financial reports to monitor financial performance.

The proposal would contain a provision for privatization within a specified time period after establishment. During privatization, shares would be offered for sale to the public. Convertibility features attached to the initial issues of company shares would prevent these shares from losing their value.

Witness support for this equity financing proposal stems, in part, from potential investors' interest in agriculture: "There are several sources of capital, such as pension funds, that have a holding period for assets similar to that of a farming operation, and may be interested in the long-term potential investments in agriculture" (Issue 10:8, 3-4-87).

The Committee has already urged the federal government to instruct the Farm Credit Corporation to come forward with the details of its equity financing proposal (Issue 14:3, 24-3-87).