or suspend the program. I would like to examine those two options in greater detail today.

The first option is to increase the aggregate amount of loans that can be made under the FIMCLA program from $1.5 billion to $3 billion. In considering this option, one might ask how risky this program is and how many loans go into default. The record is really very good. The net claims rate—that is, the gross minus recoveries—is about 1 per cent, and has remained at that level fairly consistently over the last 25 years. There have been some blips. There have been occasions when it has risen as high as 1.5 per cent. On that occasion in the 1980s, it was caused by high interest rates, low farm income, and land devaluation.

• (1555)

Since 1992 there has been a significant reduction in claims and the program now has a positive cash flow. This is expected to continue at least through 1997. There will be some extra costs associated with the higher aggregate limit, but measures will be taken to offset this. For example, an increase of only 0.25 per cent in the registration fee would be sufficient to offset these extra costs and maintain the current level of liability for at least another five years. For the average loan of $27,000, this would amount to an increase in costs of $67.

The number of loans and any losses will continue to be monitored on an ongoing basis if the net claim rate is higher than anticipated. Program costs could be controlled. For example, the guaranteed level could be lowered from 95 per cent and loan eligibility could be limited or registration fees further increased. In other words, the aggregate limit can be increased at little or no cost to government, and should satisfy program demands for another 10 years. It is a positive measure that is supported by the agri–food sector and commercial lenders.

The second option is maintaining the status quo, keeping the current aggregate limit to $1.5 billion and suspending the program once the limit is reached.

In the first nine months of 1994–95, $422 million in loans were guaranteed under the act, bringing the five–year aggregate loan limit to $1.24 billion. If the current trend continues, the present $1.5 billion cap could be reached as early as June, at which time the program will have to be suspended. Since annual loan registrations are expected to continue in the $500 million range and the loans falling due are worth $80 million this year, $115 million next year, and $196 million the year after, the program would likely have to be suspended for about two more years.

Since no new revenue would be generated from registering fees during this period, the program's contingent liability will be no different from the first option; that is, increasing the aggregate limit to $3 billion, along with an increase in the registration fee of 0.25 per cent. Should the status quo be allowed to continue, long term program liabilities will likely be kept at today's estimate of $16 billion.

FIMCLA is supported by farmers and their organizations, especially the Canadian Federation of Agriculture, as well as the lenders. I believe it would be a mistake to allow it to be suspended. The program has been an inexpensive way for the government to support the agri–food sector. The net loss rate over 25 years has only been about 1 per cent. Increasing the FIMCLA cap allows for this low cost support to continue.

In conclusion, I ask the House to support Bill C–75 by increasing the aggregate principal amount of loans that can be guaranteed. The program can continue to be offered to farmers and farmer owned marketing cooperatives.

Mr. Bernie Collins (Souris—Moose Mountain, Lib.): Mr. Speaker, it gives me pleasure today to address this very important bill, Bill C–75, an act to amend the Farm Improvement Marketing Co–operatives Loan Act. This act facilitates credit on farm improvements for processing and distribution and marketing of farm products. I am sure we can all agree the bill is very important to the agricultural sector.

• (1600)

The program has been quite a success, giving many farms and marketing co–operatives a hand in improving or starting new operations. In the year 1994–95, FIMCLA, as the program is called, was used to facilitate more than 17,000 loans totalling some $475 million. The average loan size in 1994–95 was $27,000 and the five–year average is $22,000.

It has been very advantageous to the agricultural group in Souris—Moose Mountain. My riding is concerned about the impact of recent GATT agreements and the World Trade Organization on the day to day lives and operations of our farmers.

It is very important to take a look at some of the restrictions farmers in our area may face now that we have to make our grain forwarding and other export practices acceptable to world markets. To improve our opportunities we have to turn to value added products.

I will tell the House about a group of people in my riding who have embraced this idea. A group of six farm families in Souris—Moose Mountain have formed a co–operative to begin a joint venture with a Holland firm to establish a nucleus hog breeding farm in Saskatchewan. It will be the first entry of continental European hogs into Canada in 37 years.

With the assistance of the loan through FIMCLA the co–operative farm has been formed. The joint venture is positioned to address the new opportunities brought about by the World Trade