

At this time I would suggest that we allow Mr. Chester to present his brief in full before the questions are asked. After he has completed his brief we will come back again and you may ask any questions which I know Mr. Chester will be only too pleased to answer.

Mr. F. L. CHESTER (*Chairman, Canadian Farm Loan Board*): Mr. Chairman and members of the committee, I have prepared a statement of which I have copies for each of you.

I feel it should be useful and of value for the members of this standing Committee on Agriculture to have at this time a resume of the history and operations of the Canadian Farm Loan Act and the Canadian Farm Loan Board while considering the present bill before you and the general problem of farm credit in Canada. I will endeavour to be as brief as possible and at the same time give the most important details in this resume.

The Canadian Farm Loan Board was established in January 1929 following the passage in 1927 of the Canadian Farm Loan Act which was "an Act for the purpose of establishing in Canada a system of long term mortgage credit for farmers". The act as originally passed was based upon the study, report and recommendations of Dr. H. M. Tory who was commissioned by the government in 1923 to inquire into the subject of agricultural credit. Dr. Tory was the founder and president of the University of Alberta and subsequently president of the National Research Council, and studied agricultural credit in Europe, Australia, South Africa, New Zealand, the United States and Canada and made two reports to the government—the first in 1924 by Sessional Paper 142 and a supplementary report in 1925 by Sessional Paper 152.

Dr. Tory found that following the first world war the values of farm lands had greatly increased as a result of increased production and high prices and that these high land prices had strained the available credit resources. Mortgage interest rates were 7-8 per cent in eastern Canada and 8-10 per cent in western Canada, the term of mortgage loans was too short—never exceeding five years—and because of the high cost of obtaining and equipping a farm it was difficult for a young man of limited means to become established as a farmer. He felt that the remedy was to provide a stable continuing source of long term mortgage credit on an amortized repayment plan at reasonably low interest rates. In his observations he emphasized that farming was a business and should be encouraged to operate along sound business lines.

As originally enacted the Canadian Farm Loan Act contemplated an independent public corporation operating on a business basis, lending money on long term mortgage credit to credit-worthy Canadian farmers at the cost of funds increased by the cost of administration with a reasonable provision for reserves. Borrowers as well as provincial governments and the Dominion Government were to be joint shareholders and the bulk of the funds for lending were to be obtained ultimately by borrowing in the public money market. The Dominion Government as the principal promoter was to provide the initial capital and to guarantee the public borrowings of the board within limits. Under this scheme the board operated in the provinces of Nova Scotia, New Brunswick, Quebec, Manitoba, Alberta and British Columbia, all of which had passed enabling legislation.

This scheme remained in effect until 1935 when the act was changed and the idea of stock ownership participation by borrowers and provincial governments was abandoned as also was the idea of the board obtaining its funds in the public money market. In 1935 the board was constituted an agency of the crown in right of Canada with the government of Canada as its sole shareholder. At this time lending operations commenced in Prince Edward Island, Ontario and Saskatchewan which provinces had not participated in the original scheme.

The board has continued as an independent agency of the crown operating without subsidy and paying its own cost of administration out of the spread