

Grain

obligation that was upon them to do the job in the manner in which the government expects it to be done.

Mr. Coldwell: Was there any discussion about the interest rate?

Mr. Howe: Yes. We had in the bill no later than three or four days ago a clause setting the interest rate. The hon. member for Acadia (Mr. Quelch) said that if the standard rate was 6 per cent in a district and this measure specified 5 per cent, the banker would be trying to lend at the 6 per cent rate instead of at the 5 per cent rate. There would be the converse situation in which a man paying 6 per cent on a normal loan might borrow under this arrangement at 5 per cent. He would be under the temptation to pay off his loan at 6 per cent and substitute the second loan.

After a great deal of study we decided that the only practical thing was to accept the interest rate in the district. It varies. The rate we had in the bill at one stage was not greater than 5½ per cent. We were assured by the committee of bankers with whom this transaction was negotiated that the rate would not exceed 5½ per cent in any district, and that in some districts it would be lower than that. It will be the prevailing rate for that type of loan in the district. After a great deal of study we came to the conclusion that we had better adopt the rate in the district for the type of loan that is covered by this measure.

Mr. Fair: That means the rate will not exceed 5 per cent?

Mr. Howe: Five and a half per cent. We were assured of that by the banks, although there is nothing in the bill that makes it mandatory. Reference has been made to farmers who might be some distance from a bank. That situation arises more often in Saskatchewan than in Alberta. In Alberta there is good coverage by the banks, but I believe that in Saskatchewan there are many farmers fifty or sixty miles from the nearest bank. However, most producers have some kind of conveyance and a trip of sixty miles and return to get \$1,000 would not seem to be too far. I do not think that is an insurmountable difficulty, although it is regrettable. I wish some more convenient system of distributing this money could have been found. Although other ways were explored we met with a few disappointments and decided that using the banks would be the most feasible way of doing the job.

I will admit there was no intention that great risks should be taken. We are advancing money against good security. It is intended

[Mr. Howe.]

to be a short-term loan. As the security is realized we intend to collect the money. The chief purpose we sought to achieve was to place every farmer in as good a position as he would have been had he been able to deliver 1,000 bushels of grain in the normal way.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Dion in the chair.

On section 1—*Short title.*

Mr. Wright: I want to say something of a general nature on section 1. I agree with the Minister of Trade and Commerce that in a great number of areas in the west this bill will do a reasonably good job, but in at least a part of the area I represent and in a large part of the area represented by the hon. member for Mackenzie many small farmers are a long way from banking facilities, and it is not going to do a job. Just imagine if you were in the position of one of these small farmers who has 100 acres of grain. In most cases it is less than that. Let us say he has 50 to 100 acres. He goes to the bank and gets a loan of \$1,000. That loan will carry him over the winter. Then he is faced with the proposition of harvesting his crop in the spring; and he wants to go to the dealer and get certain supplies for that purpose. The dealer knows there is already a loan of \$1,000 against the crop which must be paid before he can get one cent for the gas or anything else he advances to the farmer for harvesting the crop. How is he going to harvest that crop? I should like the minister to answer that. Many small farmers would like an answer.

Mr. Howe: I assume the hon. member is speaking of a farmer who only grows \$1,000 worth of grain.

Mr. Wright: Many of them only have a small acreage in grain.

Mr. Howe: We will talk about a farmer who only grows \$1,000 worth of grain. We will assume that in a normal season he is able to market his grain in the usual way; he brings it to the elevator and gets \$1,000. What does he do in that case?

Mr. Wright: He also has his other payment coming in the spring.

Mr. Howe: He has that under this arrangement too.

Mr. Wright: No, he has not.

Mr. Howe: Yes.

Mr. Wright: No, because he has not delivered any crop and he has no further