

*Farm Credit Act*

farmer could cultivate more acres than previously. Of necessity, many grain farms had to be consolidated into larger units. However, a survey of any given group of farmers will show widely differing circumstances affecting the individuals within that group. Some of the farmers to whom I refer might be small farmers working with a quarter or a one half section of land. Some might be young farmers; in many cases, the farmers would be older. If a farmer were displaced by a neighbour who used farm credit to buy him out, in many cases the farmer who left the farm was too old to acquire a good skill or job in the industrial field. On the other hand, perhaps he was too young to retire.

The use of farm credit, which has brought about the quick consolidation of farms within about 20 years, has had a profound effect in that it has helped to depopulate the rural prairies. In my own area, according to the latest census, between 1961 and 1970 the population has dropped by about 5,000 people. Considering the size of the villages and towns of my area, one can well say that the rural population has decreased severely. Perhaps farm credit should not be entirely blamed for this because the advent of consolidated schools many miles away in the village or town has also had a profound effect. There were lesser things which had an effect, too, such as the closing of small post offices and the building of hospitals in larger communities as a result of which older retired people were closer to medical services. These and many more factors had a profound effect on the rural population on the Prairies. I am sure there will be widespread disagreement about whether this has been beneficial.

• (1510)

My observation of the rural Prairies has been that more than anything else, the agricultural farm credit has been very useful in the consolidation of land and, apparently, in making farmers more productive. However, it has created a significant social problem. Even without farm credit, there would have had to be a consolidation of farms in the grain areas, but the use of farm credit has hastened that process. Farm credit has not been as beneficial as it might have been. I think the reason lies in the fact that farming is not a monolithic industry, such as pulp and paper, mining or some manufacturing industries. It is made up of many small and relatively insignificant economic units. It varies from a few acres to many thousands.

A family farm provides the basic needs of food and shelter for many people. It is interesting to note that relatively small farms with a quarter or half section provide the farmer with a standard of living that in many ways seems comparable with that of his neighbour who farms on a much larger scale and whose farm is apparently much more productive. The reason seems to be that much of the efficiency and productivity of the larger farm is lost as a result of his higher costs. This may indicate that when an individual farmer increases his acreage, and thereby the production of his farm, with the same amount of manpower, the displaced farmer moves further up the ladder to the feed mill in town or into the retail end of selling food. Statistics indicate that the number of people involved in the passing of food from the farmer to the consumer has remained relatively constant at about 30

[Mr. Ritchie.]

per cent of the people engaged in our economy. One of the most significant consequences of the use of farm credit is that loans would be given out in such amounts that they would, in effect, amount to a subsidy to farmers extending their operations by buying out their older neighbours. If farm credit should be used as a subsidy, it would not entirely improve the lot of the farmers.

An interesting editorial in the *Manitoba Co-operator* of June 3, 1971 entitled "Dubious Objective?" discussed the findings of Charles L. Schultze of the Brookings Institute in the United States. This study dealt with the effects of the United States farm price support program on the farm economy, but the findings could be applied to many programs being attempted or proposed for this country. Dr. Schultze showed that it is difficult, if not impossible, for the United States farm price support program to increase the farmers return on his own labour and investment to the point where it would be equal to what he could earn in a non-farm enterprise.

The Brookings economist found that in the long run, farm subsidy programs, related as they are to the production of farm commodities, tend to benefit farmers chiefly in their role as land owners and not in their role as farm operators. It seems that too many farmers will accept a less than parity return on their own labour while still remaining in agricultural production. Dr. Schultze wrote, and I quote:

If this is true, then any attempt to increase income above that level by a price-support program will result in a rise in land rents which will gradually be capitalized into higher land prices—

In turn, with higher land prices, a subsequent calculation of parity income will show that price support programs have not improved the relationship between actual and parity income, since the parity rate of return, applied to the higher land prices, raises the level of parity income right along with the rise in actual income.

In essence, where there was a price support policy, first generation owners captured the benefits in the form of capital gains when they sold the land. Second generation owners lost many of these benefits through high carrying charges. If there is any removal or reduction of price supports or subsidies, there will be substantial losses to second generation land owners who are paying sizeable carrying costs in the form of mortgage interest. What the economist was saying was that where subsidies are given, they clearly do not have the required effect because of the basic conclusion that most farmers will accept a less than parity return on their own labour in order to stay in agriculture.

If farm credit has many virtues, it seems it also has significant dangers. Perhaps the most significant responsibility lies with the official of the Farm Credit Corporation who must decide whether a particular individual should receive a loan. One of the most significant decisions he must make is whether or not a particular farming enterprise will be a viable operation, and whether the farm credit will increase the viability of that operation. Obviously, this is extremely difficult because what was an obviously viable farm operation in 1966 may not now be a viable operation.

As far as the grain industry is concerned, those who grant farm credit lean towards making the medium sized farm larger, but tend to shy away from increasing the size