

*Farm Loans*

are renewable with the amortization period, especially during periods when interest rates are fluctuating.

At present, the FCC provides long-term farm credit fixed interest rates for periods of up to 30 years. This has been an important stabilizing factor for farmers with FCC loans. Although farm input costs and incomes have fluctuated greatly in the past, the farmer always knew what the FCC payment would be and thus could make budget projections on this basis.

However, by obtaining funds from the financial markets, the FCC would likely be able to offer loans both at fixed interest rates and at rates which are renewable within the loan amortization period. Although market conditions will prescribe the period for which interest rates can be fixed, it is the FCC's objective to offer loans, I am told, at favourable interest rates fixed for as long a period as possible. This is an important factor in a sector of our economy which is already faced with many unpredictable variables such as weather, disease and the like.

One question often raised by hon. members of the opposition was, "What will the FCC interest rates be with financial market borrowing?" If the FCC borrows funds from the financial markets, it must be recognized that it would be doing so as an agent of Her Majesty. This would allow the FCC to borrow funds at an interest rate comparable to that of the Government of Canada. This favourable cost of funds, combined with the Corporation's variable administrative expenses and its low level of losses, will result in lending rates to farmers which will be below those offered by the commercial institutions.

Furthermore, if a system is established to encourage retiring farmers to invest in the FCC through an agri-bond or other such instrument, and if preferential tax treatment is given to such investors, it would keep the FCC's lending rate at favourable levels.

It must be recognized that funds are often available at reasonable costs in the international markets. When this is the case, the FCC will undoubtedly pursue borrowing from this market to keep its costs of money at a low level.

Also, the FCC will continue to obtain a major portion of its funding from the Consolidated Revenue Fund. All these factors, when considered, will contribute significantly to minimizing FCC's cost of funds and maintaining its lending rate to farmers at reasonable levels.

Several hon. members wondered why the number of members on the FCC Board has been increased from five to seven. Since 1959, the scope and complexity of the Farm Credit Corporation has increased. Lending money to farmers in the current environment requires the development and implementation of accommodating lending policies. With the expansion of the sources of FCC funding, the operation of the Corporation will become more complex. The Corporation could derive many benefits from diverse expertise on its board. Members from the commercial financial sector, the investment community or other areas of expertise would be most useful in providing additional leadership for the Corporation.

Questions have been raised about the level of funding which would come from the CRF and from the financial markets.

In the next few weeks, I am advised that the cabinet will be reviewing issues associated with the total level of funding required by the FCC. It is then that the government will be able to indicate how much assistance can be provided through the farm credit lending program.

It would be unrealistic to incorporate annual levels of funding into any legislation as this would minimize the flexibility that the proposed legislation is to provide to the FCC.

In summary, I wish to emphasize that through the extension of long-term credit, the Farm Credit Corporation has provided a unique and valuable service to Canadian farmers and has ensured that the tradition of the family farm is and shall be maintained. The amendments to the act will allow the corporation to extend even better service to Canadian farmers by providing it with a larger source of funds through the ability to borrow on the financial markets and by increasing its flexibility to make and administer loans more efficiently and effectively.

I am pleased that the members of the opposition are supporting Bill C-88 and I look forward to discussing this bill in detail at the standing committee meetings. I would urge hon. members to take a look at what has been said to date and to consider factors which yet remain to be said, and to consider as well the possibility of advancing this bill to the committee stage so we can consider together approving, amending and pushing forward this bill to answer the demands and concerns that farmers across this nation are expressing to us.

● (2130)

**Mr. Bert Hargrave (Medicine Hat):** Mr. Speaker, I am very pleased to make a short contribution to this debate. Loans to farmers have been a long-standing debatable point, and I think in the aftermath of the new budget this subject is all the more real and very, very important to the viability of farmers. Perhaps it is the difference between being able to carry on or not. It is a very important topic.

At this point in the debate our official opposition party's support for this bill is quite apparent, and I will not dwell at length on its principal features. Because of the obvious economic situation which is so apparent in our total agricultural economy—particularly because of continued high interest rates and the continuing lack of adequate long-term lending facilities—let me say very simply that there is a recognized need for the Farm Credit Corporation to be permitted to borrow additional funds from public money markets. I do not think there is too much question about that statement. I think we all agree on that.

In addition, I am very pleased to see the provision for the removal of the 35-year age limit for beginning farmer loans under which borrowers can phase in to farming over a five-year period. That is a provision which I think we could have brought in many years ago, and I am glad to see it brought in at this time.