ly that is what FarmStart does in our province and what goes on in a lot of provincial loan programs in other provinces across the country. They are necessary because these are not the kind of programs that are available under the Farm Improvement Loans Act, or have been available under the Farm Credit Corporation.

• (1510)

I am aware that there seems to have been a perhaps unspoken but definite change in the internal policy of the Farm Credit Corporation in regard to beginning farmers. I am not sure it is even that well defined within the Farm Credit Corporation Act, but when you look at the record you will see that five or ten years ago 15 per cent to 17 per cent of loans were being made to farmers under age 35, and the current situation is that something over 70 per cent of the loans being made are being made to farmers under age 35. There does appear to be a definite leaning toward assisting the beginning or younger farmer to get established, and I think that is to the good.

The problem, of course, is that in the kind of inflationary period we are currently facing, the total amount of money available through this program never seems to be quite enough. I can remember when we had an upper limit on all of our loans outstanding for farm improvement of $10,000. This was moved up eventually to $25,000. I recall when that move took place and the hand-wringing, hair-pulling and hair-tearing that occurred among those people who suggested that by increasing the amount of loan capital available to farmers we were simply adding to inflation, which was starting to become a worry at that time.

The theory of some people was that if you increase the amount of money available, farmers would only spend it and that would help to bid up the price of equipment; manufacturers would perhaps take advantage of the situation and raise the price of equipment. I do not know whether that was the reason for the increase, but in fact we have gone through that increase and another increase of the upper limit to $50,000, and now we are going to $100,000 from $75,000. Whether we are following inflation or causing it I will leave to someone else wiser than I to discuss. I only point it out because it is a fact we have to live with, and inflation is probably one of the main reasons we are discussing this bill today to increase the amount of funds available to individual borrowers.

The farm debt load that the agricultural industry in this country is carrying is approaching a level where we should be quite concerned about it. A recent article by R.S. Rust entitled "Farm Finance". which came out in the farm *Market Commentary*, put out by Agriculture Canada, in the December, 1979, issue, points out that:

> Farmer investment in real estate, machinery, and livestock increased from $61,247 million in 1977 to $70,188 million in 1978, an increase of 14.6 per cent compared with a 7.5 per cent increase a year earlier.

Most of that increase is a result of increased valuations of land, buildings and equipment brought about by inflation.

The article goes on to state:

> Farm debt in 1978 increased to $12,327 million from $10,811 million in 1977—

Farm debt figures are always being tossed around, but the estimate for 1978, and this is a relatively official figure, indicates an increase of 14 per cent over the previous year.

A lot of people do not worry very much about the amount of farm debt or the fact that it is increasing at a rate faster than the inflation rate. If they are not worried it is probably because they have what I term the banker's attitude toward debt. They simply look at the market value of the assets against which that debt has been taken.

When you look at the raw figures it does not seem as though we have very much to worry about in that the debt amounts to about 17 per cent or 18 per cent of total assets, being the book value of Canadian farms at this time. However, most farms that are active and growing carry far more than 17 per cent of their assets in the form of debt. Certainly beginning farmers will be carrying as much as 75 per cent of their total net worth in the form of debt. If you do some very rough calculations you will quickly see why some of the people who have been in business for only the past ten or 15 years are very concerned this spring.

For ease of calculation let us use $100,000 as a base, and I realize that the average farm in Canada is two to four times that amount. We can quickly see that if 50 per cent of the farm is tied up in debt, the interest payment each year at current rates will be around $10,000. Therefore, you have $10,000 interest on a $100,000 investment. The very efficient farmers in my part of the country on the prairies are very lucky if they can turn over their capital once every five or six years, and the average is to turn over the capital about every ten years. If we take it on a once in five year base, which is extremely efficient, half of the farmer's total income goes out in the form of interest payments. As I have said before, interest payments represent the greatest expense of most farmers in Canada today.

When a farmer gets into a situation in which markets have been bad for two or three years, or when the market suddenly drops, and I am thinking now of places like the maritimes where potato growers have had three bad years in terms of market prices or the prairies where the U.S. boycott has now cut the price, and considering the prospect of a drought, this increase will probably not be adequate. While this particular change in the Farm Improvement Loans Act will be welcomed, and the funds will probably be used, when we consider the situation that exists in the country more than likely it will not be adequate. Lack of income has to be made up by borrowings so we must have on hand the kind of economic tools necessary to handle that kind of situation.

While I support the amendment that has been made to the act I suggest it does not go far enough to deal with the situation that exists now, this spring. If we continue to see the world grain price decline, along with a drought, this will be totally inadequate, and I would hope we would have some additional legislation, perhaps a combination of amendments