when you buy a piece of new machinery, the repairs are very small as a rule for the first 2 or 3 years; it is only after that that the repairs start to mount up. Also, and again with particular reference to the man starting to farm, it might very well be sound to allow a full 10 years for repayment of livestock loans even when they are for less than $4,000. When a person is buying young breeding stock it does not take him very long to figure out how long it will take before he is likely to get any revenue from that breeding. It will probably be 10 years before he has any net revenue from that little herd he has built up because he cannot sell the heifers if he keeps them back to expand his herd. In a general way, there is probably a tendency for bankers to unduly discourage longer term loans. That, of course, has been traditional banking practice for a long time. They should be encouraged to give full recognition to the fact that in many situations what a farmer needs is credit in quite small amounts, yet with a fairly long repayment period. Considerations such as this can be of critical importance to the young man starting in or to the man who on slender resources is trying to make an essential start at improving his farm plant. Most studies of farm credit and young people getting started in farming have come to the conclusion that the greatest fault in starting out is assuming too big an annual payment.

One danger with farm improvement loans is that since the total outstanding loans to an individual may amount to $4,000 at any one time, some farmers get new loans when the old ones are partly paid up. What happens then is that annual payments on two or three loans run concurrently, and in total may reach $2,000 or more on $4,000 of debt. It does not take very long with your pencil to figure that out, because every time you pay the loan down below the $4,000 you can bring a new loan in and bring it up to $4,000 again and still have to pay on farm machinery annually ⅓ of the original loan. A few calculations might show you can get up to as high as $2,400 a year payments on a $4,000 loan. Farmers who are prone to get into this position should be restrained from doing so. Of course, on a large farm that would not be too great a handicap, but you could have a very small farm and get into that position of having to pay three loans concurrently with a very heavy annual payment, a very heavy annual burden of meeting those payments.

The farm improvement loans policy should be changed to provide for:

(a) A reduction to 4½ per cent in the rate of interest now charged, in view of the fact that these loans are both secured and guaranteed by the government.

(b) Periods of repayment of up to 6 years on farm machinery loans, and up to ten years on other loans even when for amounts less than $4,000.

(c) Extension of the principle of the 10 per cent farm improvement loan guarantee to credit unions and other co-operative credit organizations.

(d) Set a limit of $1,600 on the required annual repayments by any individual under farm improvement loans, even when he is repaying two or three loans concurrently.

Now, Mr. Chairman, we do not have anything in there about raising the maximum loan to $5,000, which I understand is in your bill. The reason why, at that time, we did not advocate raising it was that we were looking at the whole farm credit situation and had advocated that the maximum Canadian Farm Loan Board loan be raised to $20,000, and therefore at that time we did not consider it was necessary or urgent to raise the farm improvement loan to $5,000. We are not going to object, and say you should not make it $5,000, but if you make it $5,000 I would suggest it would be wise to include some kind of a safety device whereby a farmer cannot get involved in too many loans at once. That is in line, of course, with our recommendation 5 (d), the present maximum loan, as in the bill, is for $5,000. Under present