

Farm Credit Act

whether to accept the recommendation of the consultant and apply for a loan of \$30,000 or whether to leave it as originally applied for, in which case he would not be making it an economic unit in the eyes of the corporation. I think this is an area in which we could run into difficulty, and we should have a stabilized interest rate of possibly 5 per cent. I would like the minister to tell us what assurance he can give the committee that one quarter of 1 per cent will be the ultimate limit applied to the interest rate to cover bad debts.

Mr. Hays: Our experience in the past has been that it is less than one tenth of 1 per cent, and the loss has generally always occurred on the smaller loans. The hon. member suggests that quite often when a farmer is making application for a loan in order to make his unit economic it is suggested that he should ask for more money. In this regard I might say that all our branch managers were called in from all across Canada and were here for quite some time. We suggested to them that they should adopt a little more vigorous attitude in so far as loans were concerned, not to hold people down but to see that they did have an ample amount which would make their farms an economic unit. Sometimes the difference between 10 and 12 cows, in a cow and calf proposition, is the difference between \$1,000 and \$1,200 revenue; and the difference of another 100 acres would facilitate their paying back the loan much more easily, if they had enough money to provide for such an operation in the first instance. I have said all during the debate that this would not be more than one quarter of 1 per cent. It will more likely be below that—probably one eighth or something like that. This will be a reserve set up on that portion of the loan in excess of the \$20,000 or the \$27,500.

With regard to the stabilization of the interest rate, it is liable to slide up and down; but the farmer who borrows money will have a steady rate throughout the life of the loan. There will be no escalation clause in it. He knows that on the first \$20,000 he will pay 5 per cent. If he were to borrow today he will pay 5½ per cent plus the cost of the operation of the corporation, which is becoming smaller as time goes on due to the magnitude of the loans being made. The cost is about .87 of 1 per cent plus the one eighth of 1 per cent.

Mr. Simpson: I hope the minister's predictions are correct and that the rate will not increase over that one quarter of 1 per cent.

[Mr. Simpson.]

I should also like to make it quite clear that I was not criticizing the corporation in any way for suggesting in many cases a higher loan to make a farm a more economic unit. I think that is a very good feature of their assessments. I myself have had several cases where this has been done and it has worked out quite satisfactorily. I have also had cases where the loan was not approved to the amount the applicant wished. In these cases in the opinion of the farmer, of course, he felt he needed the amount to make the unit economic, whereas in many cases the corporation felt that his holdings did not justify a loan of that size. Here again we have a clash of opinions as to whether the amount of a loan would make the farm an economic unit. I did want to make it quite clear that I am not criticizing this aspect of the corporation, because I know they are very anxious to assess these farms to the best of their ability and to make a loan of the nature which will make a farm an economic unit.

Mr. Smallwood: Mr. Speaker, I am in agreement with the amendment, but I am concerned at the increased rate of interest which will be charged on the extra money. As the former minister of agriculture said, the members of our party put up a terrific fight both in front and behind the curtain with the Department of Finance to keep the interest rate at 5 per cent. Now it is going to be increased.

I think the Minister of Agriculture will agree that farming is a risky business. A farmer may have a crop failure and have to carry his payments over the year, and a high rate of interest could be very harmful. I am sure he would like a steady rate of 5 per cent right across the board, and I wonder whether the minister would be supported by his backbenchers and those interested in farming if they went to the Department of Finance and asked them to keep the interest rate down to 5 per cent. We have not heard from these backbenchers today, but we on this side should like to keep the rate of interest at 5 per cent. If the minister is interested in doing this, would he consider referring the matter back to the agriculture committee? I am sure he would get enough support from our members on the committee, and if the minister also felt that it should be 5 per cent on all of the loans he could bring the matter back to the house again.

Mr. Hays: We feel that the present amendments which charges an economic rate on the increased loan is the proper approach at