

storable crops. In addition, it will guarantee the interest on such advance payments when they are made in accordance with the provisions of the act.

The program will operate in this way: Where a producer organization intends to make an advance payment to a producer out of money borrowed for that purpose from a bank, the government will guarantee the repayment of the advance, including interest which is to be charged and over which the government will have a control. In the case of producer defaults—and using the Prairie Grain Advance Payments program as an example, such defaults represent a very small percentage of the producers receiving advance payments—maximum liability, including interest, of the national treasury at any time will not exceed \$200 million. Producer organizations, whether they are cooperatives or individuals, can take advantage of this legislation by organizing themselves into legally incorporated bodies and demonstrating that they produce a significant portion of a crop in the area that they represent.

In order to receive a guarantee from the government, Agriculture Canada must be satisfied that the producer organization applying for a cash advance represents a significant portion of the crop for the area in question. On this point the department will take appropriate measures to guarantee that such organizations do in fact represent a significant portion of the crop in that area. The organization must indicate that making such advance payments will facilitate orderly marketing of that crop, and must satisfy the government that it will repay the money borrowed to make advance payments. The organization must also be able to show that it is capable of administering the payment and collection of advances, and of discharging its obligations to the bank and the government. Advance payments will be issued by eligible farm organizations for a period not exceeding a 12-month crop year, but due to the storable life of particular crops the period of the advance may be less than 12 months.

Producers are required to apply for an advance, and must provide the required information regarding the quantity and condition of the crop in store. They must also provide a written undertaking to the organization to repay the advance by selling that portion of the crop to which the advance applies to a named buyer or buyers, and authorizing such buyer or buyers to deduct from the amount payable to the producer the rate per unit prescribed for that crop in the crop year in which the advance was made.

The maximum amount to be advanced under this measure in any crop year to one eligible producer is \$15,000, which is the same as is provided for in Prairie Grain Advance Payments Act. Where a producer is a family farm corporation, a partnership, or a cooperative having two or more shareholders, partners or members who are 18 years of age or over, and are principally engaged in the farming operation, and who undertake to be jointly liable for the amount of the advance, then the maximum of the advance eligible for the guarantee is \$30,000 where there are two such shareholders, partners, or members and \$45,000—which is the ultimate maximum—

where there are three or more. In all cases the amount of an advance payment possible under this bill cannot exceed one-half of the unit market price payable for that crop in that crop year. For example, if Ontario wheat is selling at \$3.50 a bushel, then the payment can be up to \$1.75 a bushel.

This bill covers all possibilities of producer default but, if the experience of the Prairie Grain Advance Payments program is an indication, such defaults really represent only a very small percentage of the producers receiving advance payments. In the event of defaults, the maximum government liability, including interest, at any time will not exceed \$200 million.

Producers who make application for such advances must store the portion of the crop on which an advance payment is made either on their own premises, on another farm, or commercially, but they must in all cases do so in their own names.

A producer cannot receive an advance if he is in arrears or default in respect of a previous advance. A producer is deemed to be in default if he has not repaid any part of his advance within 20 days of being advised in writing that he must discharge his undertaking by delivery of the crop in question. Producers may repay an advance in cash, in lieu of delivery of the crop, but are subject to interest charges on the advance from the date the advance was made. The reason for this provision is that the purpose of the advance is to ensure orderly marketing, and to provide interest-free cash to a producer. Hence it is tied to the delivery of the crop.

Administrative costs of the advance payments scheme will be carried largely by the participating producer organizations, as is the case in the Prairie Grain Advance Payments program. However, federal control and administration will be the responsibility of the Grains and Special Crops Division of Agriculture Canada. The department estimates that the proposed Advance Payment for Crops Act will cost from \$3 million to \$5 million in its first year of operation. It is anticipated that before the regulations are written, formal discussions will be held with interested farm organizations to work out the details of administrative arrangements, and to determine what is a significant portion of a crop and what should be the criteria designating the size of an area.

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The logic behind Bill C-2 is not new in Canadian agriculture. The measure is an extension of an advance-payments program that has substantially benefited the producers of wheat, oats and barley in western Canada—the region in which the Canadian Wheat Board operates—and it should ease the cash flow to farmers of other storable crops when they need that advance most.

This legislation would help round out other programs in agriculture to provide stability to the farming community. There are great risks, as we all know, in farming. The weather and markets are things that are not under government control. This kind of program, providing for an advance on a produced and designated crop, with some very clear limits as to delivery