

Farm Loans

consultation taking place with provincial government officials as well as representatives of other financial institutions.

Once the study is completed, the government will be considering its role in the extension of intermediate-term credit in Canada. In the interim, the facilities of the special farm financial assistance program with an interest rebate, as well as those of the Small Business Bond Program, are intended to consolidate debt, including short and intermediate-term debt. Debt consolidation through these facilities will result in lower credit costs to many farmers and will place their debt commitments within their cash flows.

Many members have expressed opinions to the effect that the 1981 November budget did not provide enough funding for the Farm Credit Corporation to help farmers facing bankruptcy. Once again, I must insist that the \$50 million provided in the November 12, 1981, budget be assessed in the context of the total budget package. The \$50 million must be considered in conjunction with the expansion of the availability of small business bond financing to unincorporated farmers in financial difficulties. The special farm financial assistance program is designed for farmers in financial distress who are unable to obtain adequate assistance through the Small Business Development Bond. The FCC is co-operating with financial institutions which are making small business bond loans to ensure that as many farmers as possible can be assisted through a small business bond, a special FCC loan, or both. When the \$50 million is considered in this context, the budget of November 12, 1981, is assisting many more farmers in financial difficulty than the \$50 million would, at first glance, suggest. Furthermore, the proposed legislation is intended to enhance the FCC's funding flexibility so that it can more adequately meet the needs of farmers. In this way, the FCC could help to avoid situations such as those which have occurred during the last two years when farmers have faced unusual financial difficulties.

• (2120)

It was suggested by the hon. member for Qu'Appelle-Moose Mountain (Mr. Hamilton) that the FCC is a lender of last resort. This is not the case at all. The FCC extends credit mainly to those young, beginning and small expanding farmers who are unable to meet the repayment and security requirements of commercial lending institutions. It is these farmers who, with the favourable terms and conditions of FCC loans, are able to establish units to become the commercial farm operators of tomorrow.

At this point I would digress to indicate that when I first came to the House in 1974, I sat with the agricultural committee and had the privilege of chairing that committee when amendments were being brought forward to the farm credit bills at that time. It was heralded with great glee and great approval that we, in fact, would be proceeding with the kind of legislation that concentrated the efforts of the Farm Credit Corporation on the young farmer so that we could be providing the sort of assistance that would put the risk with the young farmers and induce younger people in Canada to go into

farming than was then the case. I think it has been borne out that this has taken place and that there has been rather substantial success enjoyed as a result of the principle embodied in that legislation.

Lenders of last resort would charge these farmers an interest rate that is much higher because they consider these farmers as risky investments. The FCC lends to these farmers at favourable interest rates and has a collection policy which recognizes the cyclical nature of farm incomes and an advisory services program to monitor the farmer's performance. This assists in recognizing problems in early stages of their development, making the probability of success of these borrowers very high.

With the proposed legislative changes, the FCC's flexibility would allow the corporation to assist more farmers to become efficient food producers. This will allow the farming community to continue to provide adequate levels of high quality food at reasonable prices for domestic consumption and export. This thrust is certainly compatible with the thrust of the initial legislation in 1959.

The hon. member for Bow River (Mr. Taylor) suggested that the Alberta Heritage Trust Fund could be used as a source of funds for young farmers in Alberta. The proposed amendments enabling the Farm Credit Corporation to borrow on the financial markets does not exclude the Alberta Heritage Trust Fund as a possible source of funding. Indeed, I am advised that FCC officials have had preliminary discussions on this possibility as well as others in the past year.

The hon. member mentioned as well that retiring farmers should be given an incentive to provide financial assistance for beginning farmers. Also, several suggestions were made to establish a system by which retiring farmers could invest the proceeds of their farm sale into FCC.

The possibility of an agri-bond with preferred tax treatment, or a bond similar to the small business bond, was suggested. This is not an idea which comes solely from the hon. member for Bow River. Indeed, I would advise the House that at the most recent meeting in my constituency of our particular party in Ontario, we were successful in having a resolution passed by the party in Ontario suggesting a very similar idea of the agri-bond, affording the opportunity for the diversion of capital gains by means of purchasing an agri-bond which would provide a form of reduced level of income to the person buying the bond. At the same time, it would provide a source of funding for farm credit. I would be most interested if perhaps I myself and the hon. member for Bow River could pursue this issue at the committee stage of this bill to determine whether or not something could be done in that vein.

The proposed legislation would establish the basic authority for the Farm Credit Corporation to do precisely what I have just discussed, and FCC officials are studying possibilities such as farmers' retirement investment plans, income-averaging annuity contracts, agri-bonds, investment certificates, farmers' mortgage guarantees, and others. Other hon. members have requested that the FCC offer loans with interest rates which