In this connection, it should be kept in mind that there is no point in giving to the young farmer more credit than he can repay. It should also be kept in mind that to give special low interest rates to young farmers may be, in part, self-defeating because of the tendency such low rates would have to increase the demand for farms and push up land values. The seller would gain by this (and the seller, of course, should get a fair price for his land) but the benefit of the especially low interest would not all accrue to the young farmer, and would not, in the end, solve the problem of helping him get established.

Now, on the question of farm improvement loans—these loans are made through commercial banks, which are virtually guaranteed by the federal government against loss on them, since the government guarantees losses of each bank up to 10 per cent of the total outstanding Farm Improvement Loans. The interest rate is 5 per cent. Loans are made largely for farm machinery, but are available on terms up to 10 years for livestock, farm electric systems, fencing and drainage, plumbing and heating, and other farm improvements. The maximum loan is $4,000. Loans are given for up to 90 per cent of the purchase price of durable assets such as buildings and plumbing, up to 75 per cent for livestock and most other improvements and purchases except farm machinery, where only 66 per cent of the purchase price may be borrowed on new machinery and 60 per cent on used equipment. Time of repayment for farm machinery is not more than three years. Longer terms up to 10 years may be had on other types of loans if the full $4,000 is borrowed. For smaller loans that is under $4,000, the maximum repayment term is progressively reduced, to 18 months for $400.

The farm improvement loan system is a good and convenient one which farmers find generally satisfactory. That statement is corroborated by reports we have had from all our member bodies across Canada, and on the whole it has been a very satisfactory form of intermediate credit. The major difficulty in connection with it is that bank managers must of necessity find it difficult to be sufficiently intimately acquainted with the farm operations and credit needs of his customers to give the advice and assistance that wise borrowing in this short and intermediate credit field requires. It does not apply, necessarily, to all bank managers, but perhaps applies to some. Frequently, also, bank managers are not by their backgrounds well acquainted with the special characteristics and problems of farming. The solution to this problem must lie in improved extension service to farmers in connection with farm management. However, credit unions are admirably suited to giving sympathetic and intelligent service to borrowers, and there seems to be no reason why the privileges of the farm improvement loan guarantees should not be extended to them.

There is room for improvement in a number of directions. Being guaranteed by the government the interest rate of 5 per cent would seem to be needlessly high, and should be reduced to 4½ per cent. These loans not only have a guarantee up to 10 per cent of the total loss, but they are secured loans, and, in the case of farm machinery, the bank can repossess and sell the machinery; and so when you take that into consideration the chances of loss, it seemed to us, on the part of the bank is extremely small. The life of farm machinery should greatly exceed 3 years, and, especially where a man is trying to get started in farming, it would seem reasonable to provide machinery loans for periods up to 6 years.

I suppose many people in this committee, Mr. Chairman, are either active farmers today or have been active farmers and know perfectly well that many of the machines which you buy today are good for a long life. Even a tractor with reasonable care will last 8 years. Certainly loans on equipment like wagons, harrows, discs, and plows, will give 10 years of good service. In fact,