

Committee members stressed the importance of the role of the FCC in meeting the needs of beginning farmers and safeguarding them from the impact of high mortgage rates on land purchases. Some of these farmers may want to acquire their farms through intergenerational transfers. The Committee believes the FCC should devise programs to ease the transfers from one generation to the next by providing beginning farmers with low-cost mortgages and retiring farmers with more secure futures.

2.5 The Committee urges the FCC to recognize the unique financial problems faced by beginning farmers and design its programs accordingly.

6. Farm Finance Extension Services

Farming has become increasingly capital intensive. The demands on farmers to exercise financial management skills (i.e. to choose the most appropriate mix of financing instruments) have increased commensurately. How much debt financing, owner equity, and external equity financing are required for a successful farm business? A farmer must pay as much attention to these questions as to those regarding other inputs. Only by selecting the right mix of financing instruments will the farmer be able to see his or her farm survive, grow and be profitable.

The call for additional extension services in the area of farm financial advice has been made by the Farm Credit Corporation and other witnesses in the context of the equity financing proposal. The Committee would welcome the inclusion of farm financing extension services in any equity financing proposal, such as that of the Farm Credit Corporation.

A sound financing strategy will not guarantee financial success any more than a sound production or marketing strategy. Only stronger management skills in all three areas will increase the farmer's chances at maintaining the family farm.

2.6 The Committee recommends that the federal government work with provincial governments, lending agencies, and private consultants to provide all farmers — not just those farmers in financial difficulty — with extension services in the area of farm financing.

The Committee supports this latter recommendation with the observation that farm financing extension services are now being offered, in effect, to farmers and creditors appearing before Farm Debt Review Boards. Had beginning and developing farmers and their creditors been more aware of the dangers of excessive debt financing in the last decade, current financing difficulties and financial stress might not be as prevalent in the industry today.