# chapter thirteen

## CREDIT

### INTRODUCTION

About this chapter: There is no doubt that the subject of farm credit is important—proof lies in the fact that almost all provincial governments and half-a-dozen agencies of the Federal Government are involved in it. Obviously, credit demands attention from the Task Force. The reader may, however, appreciate a little guidance before reading this rather lengthy and detailed chapter.

PART I *Credit and Farming*—Here is discussed the structure of Canadian farming, stressing the relationship of size and income with capital and credit.

PART II *Credit Institutions*—These sections describe the many Federal and Provincial institutions devoted to farm credit.

PART III *An Evaluation of Policies and Issues*—Does just what it says.

PART IV *Four Alternatives in Providing Farm Mortgage Credit*—Presents four possible alternatives. One of these is that presented at the Canadian Agriculture Congress in March 1969 by the Task Force, this is given in greater detail in the Appendix.

PART V *Recommendations*—Here the Task Force opts for one of the four alternatives, and for a joint Federal-provincial structure and other features designed to make farm credit an instrument of farm operation improvement.

PART I

## CREDIT AND FARMING

While farming in Canada may still be classified as a small business when compared to large industrial corporations, the farm business has undergone substantial changes during the past quarter century. These changes have had a profound effect on the capital requirements of the farming industry and have influenced greatly the financial institutions which serve the farmers' growing need for credit. Indeed, all segments of the agricultural industry have been affected by the economic and technological changes which have taken place at the individual farm level.

The farm itself has been transformed from a relatively self-sustained enterprise where the farmer produced or made much of what he needed for his operations to a highly commercialized business closely linked to the cash economy. The modern commercial farm is highly mechanized, highly specialized and marked by a large capital investment in the business. The changes in farming have led, in turn, to the development of large industries designed to provide the farmer with credit facilities, chemical fertilizers, commercial feeds, machinery and equipment—a whole new complex of industries referred to as the agri-business sector of the economy. While the number of persons employed in the primary sector of agricultural production has been falling, the number employed in agri-business has been rising very substantially during recent years.

The trend to greater mechanization and the accompanying expansion in the size of business operations have led to a very significant increase in the amount of capital investment in the farm business. At the same time, the increasing use of off-farm resource inputs such as tractor fuel, fertilizer and herbicides have created the need for greater and greater amounts of cash operating capital.

During the period 1951-1967 the capital investment in Canadian farming increased from $9.5 billion to $21.2 billion while the cash operating and depreciation expenses increased from $1.5 billion to $3.2 billion. This increase in capital investment had the effect of increasing farm size and reducing the amount of labour required in agricultural production. Between 1951 and 1966, the number of farms dropped from 625,000 to 430,000 while the number of persons employed in agriculture declined from 940,000 to 560,000 persons.

A great number of different institutions are involved in extending credit to Canadian farmers at the present time. The Federal Government is involved in the farm credit business in various ways: through the Farm Credit Corporation which is under the jurisdiction of the Department of Agriculture; the Veterans' Land Administration under the Department of Veterans' Affairs; the Farm Improvements Loan Act administered by the Department of Finance; the Prairie Grain Advance Payments Act administered through the Canadian Wheat Board under the jurisdiction of the Department of Trade and Commerce; the Industrial Development Bank, a subsidiary of the Bank of Canada; the ARDA-FRED arrangements which provide for various types of grants and for the purchase and sale of farmland. In addition to the various Federal Government agencies, all ten provincial governments are involved in one way or another in the farm credit field. Other institutions and organizations involved in farm credit include the commercial banks, credit unions, insurance, trust and loan companies, supply companies, dealers, stores, private individuals and finance companies. In general, many organizations are involved in the provision of credit to Canadian farmers.

Many questions may be raised with respect to the capital and credit needs of the Canadian agricultural industry. What are the capital requirements of an efficient farm business in various regions of Canada? How are these capital requirements to be met? Are the present lending institutions meeting the credit needs of Canadian farmers? What changes need to be made in existing credit policies? Are farmers equipped from a management point of view and are they willing to accept the type of credit policies which may be needed for their industry? Should and can the credit needs of agriculture be provided from the private lending institutions or will a greater degree of government involvement be warranted?

The answers to these questions depend on the type of structural adjustments which could occur in agriculture during the next few years. Credit policies which are appropriate for the development and preservation of the family farm are generally not suitable for an industry where a corporate form of organization predominates. If the farm industry should become organized along corporate lines, it is unlikely that its capital needs and methods of financing would be much different from that of other industries where the corporate form of organization prevails. As long as the family-farm type of organization survives, however, the need for special credit policies for farming is almost certain to continue.

The Task Force anticipates that the family-farm will continue to be the dominant form of production organization in agriculture during the next decade. It recognizes at the same time, however, that the very substantial adjustments which will occur during the next decade will place a severe strain on the family-operated type of business.

It may become impossible eventually for the individual farmer to accumulate sufficient savings during his lifetime to develop an efficient size of business and own a debt-free farm by the time of retirement. The growing management skills, the need for greater integration between production and marketing and the ability to withstand heavy risks may not be within the capacity of the family-operated farm business by the end of the century. A corporate form of farming with hired management and equity financing through the stock market may eventually evolve out of the far-reaching changes which are certain to occur in agriculture during the next two or three decades.

### *Capital Structure*

The capital structure of Canadian farming is marked by very great differences between the small and large farm units. (Table 1). Only 19,666 farms, or approximately 7.2 per cent of all farms classified as commercial (farms with a value of product sold over $2,500) had a capital investment varying upwards from an average of $117,000. Almost two-thirds of the commercial farms had an average capital investment ranging down from an average of $54,255, an investment well below that regarded as necessary for an economic size of business unit in today's agriculture. In addition to this group of farms, another 152,910 farms in Canada in 1966 were classified as "small scale".

TABLE 1

Classification of Farms in Canada According to Value of Products Sold and Capital Investment, 1966

| Value of Products Sold | Canada: Number of Census Farms | Canada: Capital Investment per farm | % of Commercial Farmers: Farm Numbers | % of Commercial Farmers: Value of Product Sold |
|---|---|---|---|---|
| | | $ | | |
| $35,000 and over | 10,282 | 176,940 | 3.8 | 14.3 |
| $25,000 to $34,999 | 9,384 | 117,694 | 3.4 | 9.8 |
| $15,000 to $24,999 | 31,149 | 92,763 | 11.2 | 21.6 |
| $10,000 to $14,999 | 44,217 | 69,138 | 15.1 | 19.3 |
| $ 7,500 to $ 9,999 | 38,753 | 54,255 | 13.1 | 11.5 |
| $ 5,000 to $ 7,499 | 58,103 | 43,193 | 20.9 | 12.6 |
| $ 3,750 to $ 4,999 | 37,923 | 34,363 | 13.0 | 5.8 |
| $ 2,500 to $ 3,749 | 47,024 | 28,369 | 16.9 | 5.1 |
| Total commercial farms | 276,835 | 58,172 | 100.0 | 100.0 |
| $ 1,200 to $ 2,499 | 60,947 | 22,563 | | |
| $ 250 to $ 1,199 | 55,271 | 15,502 | | |
| $ 50 to $ 249 | 36,692 | 14,901 | | |
| Total small scale farms | 152,910 | 18,172 | | |
| Institutional | 777 | 227,920 | | |
| Total Census Farms | 430,522 | 44,258 | | |

One of the more outstanding aspects of the farming industry is the apparent high correlation between capital investment in the farm business and value of products sold. According to calculations which we have been able to make, it is estimated that the top third of the commercial farmers produced almost two-thirds of the products sold by all commercial farmers.[1] Expressed another way, if the bottom 84,947 commercial farmers were suddenly removed from agriculture, the reduction in overall agricultural output would hardly be noticed—a drop in production of only 11 per cent.

[1] A commercial farm was defined in the 1966 census as any farm selling more than $2,500 worth of produce.

**Table 2**

**Capital Investment in Canadian Farms Classified by Province, 1961 and 1966**

| Province | 1961 | | | | 1966 | | | |
|---|---|---|---|---|---|---|---|---|
| | No. of Farms | | Aver. Capital/Farm | | No. of Farms | | Aver. Capital/Farm | |
| | Census | Commercial | Census | Commercial | Census | Commercial | Census | Commercial |
| | | | (dollars) | (dollars) | | | (dollars) | (dollars) |
| Newfoundland | 1,752 | 281 | 13,663 | 33,219 | 1,709 | 301 | 17,761 | 47,851 |
| Prince Edward Island | 7,335 | 2,886 | 13,128 | 19,951 | 6,357 | 3,328 | 20,233 | 28,813 |
| Nova Scotia | 12,518 | 3,016 | 11,199 | 23,373 | 9,621 | 2,867 | 17,061 | 32,450 |
| New Brunswick | 11,786 | 3,073 | 12,334 | 22,866 | 8,706 | 2,938 | 17,318 | 30,839 |
| Quebec | 95,777 | 38,927 | 16,925 | 24,202 | 80,294 | 41,961 | 23,548 | 31,084 |
| Ontario | 121,333 | 69,667 | 30,922 | 40,500 | 109,887 | 70,724 | 44,401 | 56,287 |
| Manitoba | 43,306 | 24,286 | 26,839 | 37,337 | 39,747 | 27,372 | 43,934 | 57,440 |
| Saskatchewan | 93,924 | 63,546 | 30,472 | 37,984 | 85,686 | 69,962 | 57,109 | 65,424 |
| Alberta | 73,212 | 45,203 | 37,118 | 51,223 | 69,411 | 48,971 | 60,734 | 76,262 |
| British Columbia | 19,934 | 8,150 | 32,858 | 54,422 | 19,085 | 8,407 | 49,953 | 78,111 |
| Canada | 480,903 | 259,037 | 27,389 | 38,659 | 430,522 | 276,835 | 44,258 | 58,187 |

The extreme differences in capital investment and income among Canada's 430,522 farmers make it obvious that it will be very difficult to develop a national credit policy which will be acceptable by all farmers of this country. A credit policy which is suitable for the 19,666 largest farms in Canada certainly would not be the best policy for the 84,947 commercial farmers whose capital investment varied downward from an average of $34,363 in 1966. We will have more to say about this issue later.

Another striking feature of the capital structure of Canadian farming is the great variation which exists among the ten provinces (Table 2). In Alberta, for example, the average investment for the commercial farms in that province in 1966 amounted to $76,262 compared to $28,813 for the commercial farms in Prince Edward Island. In other words, the average commercial farm in Alberta had a capital investment almost 2½ times as large as that in Prince Edward Island. The capital-income relationship discussed above is one of the major reasons why farm income in the four Atlantic Provinces tends to be well below that of the other provinces in Canada.

It is estimated that Canadian farmers had a total outstanding debt of $3.8 billion in 1967 (Table 3). The amount of debt outstanding more than doubled during the seven-year period 1960-67. Of the total investment of $21.2 billion in the Canadian agricultural industry in 1967 debt represented only 18.2 per cent of this total. Canadian farmers own a surprisingly large proportion of their total farm assets at the present time.

One cannot but be impressed with the capital reorganization which will be needed on many farms in Canada if the scale of operations which is now possible is to take place. This extremely important aspect of the agricultural industry is frequently overlooked in many of the debates relating to agricultural policy in Canada. Long before the production of agricultural products is taken over by large, integrated industrial corporations in Canada—the fear of many farm leaders—the revolution created by having all farms reach the standards now set by the top commercial family farmers would be dramatic, indeed.

TABLE 3

The Ratio of Farm Debt to Farm Investment

| Year | Farm Debt | Investment in Farm Real Estate, Machinery and Livestock | Debt as a per cent of Investment |
|---|---|---|---|
| | (millions of dollars) | | % |
| 1960 | 1,588.9 | 12,680.0 | 12.5 |
| 1961 | 1,768.4 | 13,159.2 | 13.4 |
| 1962 | 1,991.9 | 13,684.0 | 14.6 |
| 1963 | 2,261.9 | 14,541.0 | 15.6 |
| 1964 | 2,568.9 | 15,790.1 | 16.3 |
| 1965 | 2,947.7 | 17,286.8 | 17.1 |
| 1966 | 3,375.7 | 19,224.0 | 17.6 |
| 1967 | 3,859.9 | 21,186.0 | 18.2 |

SOURCE: Rust, R. S. *Farm Credit Reviewed Canadian Farm Economics*, Canada Department of Agriculture; Vol. 4; October, 1968.

Farm management studies in various regions of Canada have demonstrated repeatedly the high correlation between size of business as measured in capital investment and net farm income. The capital-income ratio will vary, of course, from one region to another but the underlying relationship cannot be overlooked.[2]

The big advantage of larger farm size appears to be the economies of scale involved. In Saskatchewan for example the production costs per cultivated acre (in the dark brown soil zone) varied from $46.32 for the group farmers who had an average capital investment of $84,968 (and a cultivated land area of 462 acres to a low of $21.29 per cultivated acre for the group of farmers with an average capital investment of $262,894 and a cultivated land area of 2,365 acres (Figure 1). Between the high and the low cost group of farms the difference in production costs would have amounted to approximately $25.00 per acre.

TABLE 4

Number of Permit Holders and Wheat Acreage Related to Size of Farm, Prairie Provinces, 1967

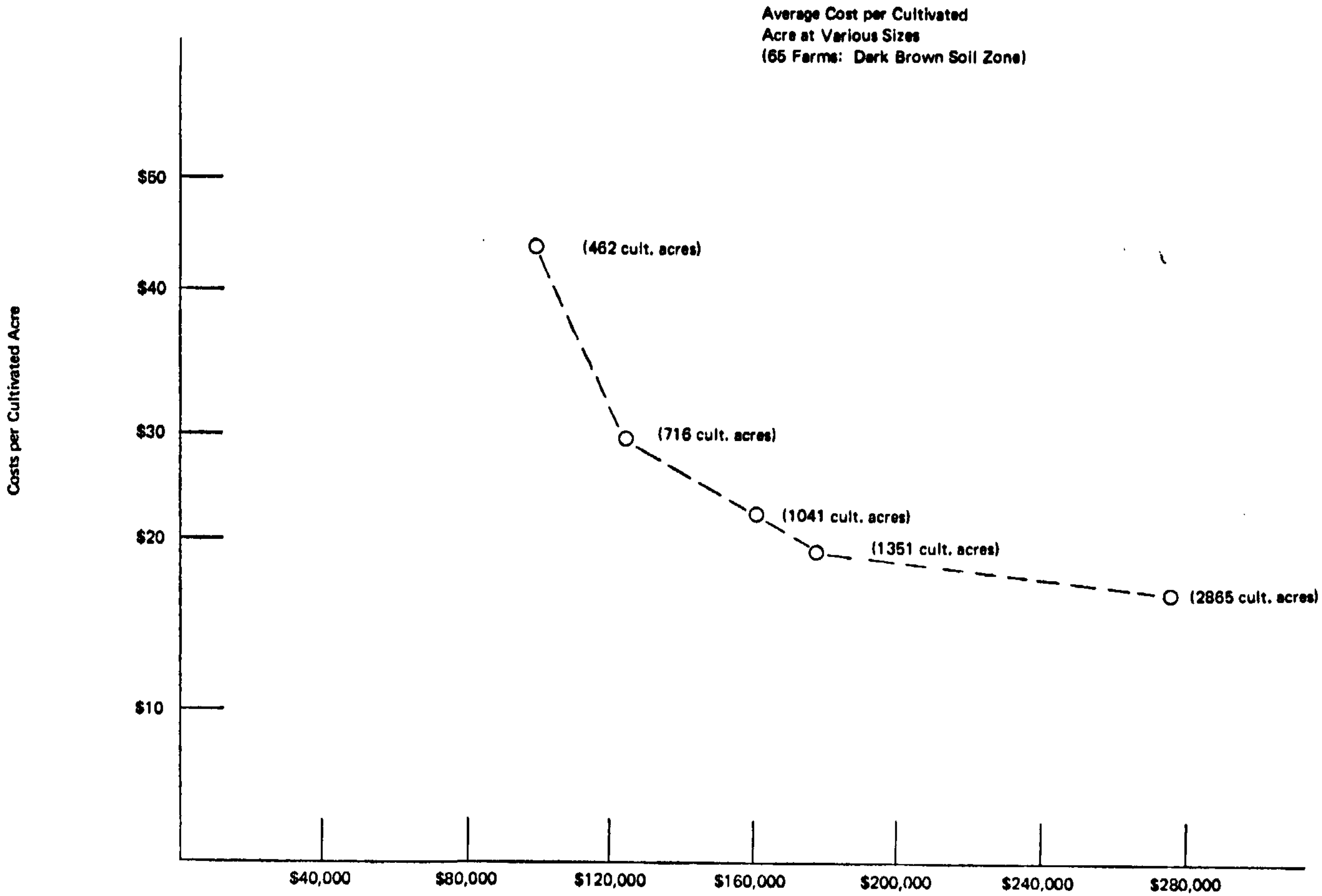
| Specified Acreage Grouping | Wheat Acreage | Number of Permit Holders | Percent distribution of acreage in each group | Percent distribution of permit holders in each group |
|---|---|---|---|---|
| | (thousand acres) | number | % | % |
| 0– 399 | 7,704 | 112,120 | 25.4 | 58.7 |
| 400– 699 | 9,564 | 49,009 | 31.5 | 25.7 |
| 700– 999 | 5,897 | 17,532 | 19.4 | 9.1 |
| 1,000–3,999 | 6,965 | 12,169 | 22.9 | 6.4 |
| 4,000 plus | 244 | 156 | 0.8 | 0.1 |
| Total | 30,374 | 190,986 | 100.0 | 100.0 |

SOURCE: Canadian Wheat Board, *Statistical Report of Farm Acreages 1967.*

The tremendous variation in farm size in the Prairie Provinces may be noted in Table 4. In the smallest size grouping of farms, those with less than 400 specified acres, 112,000 permit holders or 58.7 per cent of all permit holders are involved and these producers were responsible for 7.7 million acres or 25.4 per cent of all wheat acres in 1967. Farms with a specified acreage of 400 to 699 acres on their farms produced wheat on 9.6 million acres or 31.5 per cent of all wheat acres. There were 49,000 permit holders on farms of this size or 25.7 per cent of all permit holders. The remaining 15.7 per cent of permit holders located on the larger farms were responsible for 43.1 per cent of all wheat acres. Thus the bulk of the crop was produced by a small number of large producers.

[2] For further examples see: Ontario Dept. of Agriculture Preliminary Summary—*Ontario Farm Management and Accounting Project, 1967;* also Alberta Dept. of Agriculture, *1967 Farm Business Report*: Farm Business Summary, Manitoba Dept. of Agriculture, 1969.

FIGURE 1 AVERAGE CAPITAL INVESTMENT PER FARM




Source: Sask. Farm Business Summary 1967.

Discretion must be used in recommending an increase in size of farm business (measured either in acres or capital investment) as a solution for the low income farmers. First of all, not all farmers have the managerial capacity to handle a larger size of business. Secondly, not all types of agricultural production have the economies of scale involved that the above examples have illustrated. Thirdly, some of the most efficient farmers in Canada are those who have the unique capacity to make a more intensive use of their fixed capital investment. Size of business is not sufficient by itself as the means of raising farm income but it does appear to be one of the overwhelming considerations involved in any reorganization of the agricultural industry in Canada.

### *Credit Problems Peculiar to the Family Farm*

A glance at the financial pages of the newspaper will remind the reader that Canadian farmers do not finance their business operations in the same way that many industries do. Farmers do not ordinarily raise their required equity capital through the sale of shares in the market nor do they tend to follow the methods of obtaining debt capital for their operations that many industrial businesses normally use. Indeed, most lending institutions dealing with agriculture have special provisions under which credit is extended to farmers. To understand the reasons for this traditionally unique approach to agricultural credit, one must first examine the basic characteristics of the farms being financed.

While there are several different types of production firms in agriculture, the single proprietorship is the predominant type of business organization in agriculture at the present time. Ownership and management control, as well as the required labour for the business, are generally identified with one person or family.[3] This is what most farmers have in mind when they refer to the "family farm" in Canada. While there are probably as many definitions of the family farm as there are points of view on the topic, one of the most commonly accepted definitions involves the following considerations:

(1) The farm operator makes all or most of the managerial decisions;

(2) The farmer and members of his family supply most of the labour needed;

(3) The available farm resources are sufficient to provide the family with at least a minimum standard of living;

(4) Tenure is reasonably secure for the operator and his family.

Several implications of the above definition must be recognized. The first two considerations tend to impose an upper limit on the size of farm that will qualify as a "family farm". The third consideration places a lower limit on the size of farm that will qualify as a family farm while the fourth consideration permits the tenant-operated farm to qualify as a family farm, providing that the condition for "reasonable security" of tenure is met.

[3] By contrast, the functions of ownership, management and labour tend to be distinct and separate, and associated with different groups, in the industrial corporate economy.

This "Procrustean" philosophy of farm size explains why a great deal of debate has centered around the minimum and maximum quotas set by the Canadian Dairy Commission and the maxium amount of credit which can be loaned to any one farmer under the various government credit agencies.

Great care has been exercised by policy makers in the past in making sure that any public legislation relating to agriculture was consistent with the "preservation of the family farm".

While the single proprietorship still predominates in Canadian agriculture, other forms of business organizations are beginning to emerge. The partnership and the family farm corporation are beginning to take on considerable importance. The co-operative type farm has never been important in Canada although several reasonably successful attempts have been made to develop co-operative farms in Saskatchewan. While there have been spectacular attempts to develop the large industrial type corporation in agriculture, this type of production firm is as yet relatively unimportant in Canada. Contract production and some forms of integrated farming are becoming more important, however, particularly in commodities such as broilers, eggs and hogs.

The special features of the family farm which still predominates in Canadian agriculture have had a powerful influence on the capital structure and the methods of financing the agricultural industry.

It is a strongly held belief that any forces which tend to separate the tripartite functions of owner-manager-operator serve to weaken the family farm. Accordingly, whenever the owner-operator has tended to be replaced by the tenant-operator, it is felt that the family farm is falling short of the idea. Until recently, at any rate, the Canadian farmer has been very jealous of his prerogative as manager of his business. This explains why the farmer has resisted industrial intrusions into his industry such as vertical integration or "corporation farming"[4]. Another unique feature of the family farm which has had a very significant effect on the methods used to finance the farming industry is the "life cycle" through which the farm business tends to go once every generation. The family farm starts with the young farmer and ends with his retirement or death. His son, in turn, goes through the same type of cycle during his lifetime on the farm. As a result, many problems and complications have tended to be associated with the family farm: the need for an operating arrangement between parents and son when both are involved in the business; the strain on farm income during overlapping periods of the two generations; the stress involved when several sons want to farm particularly where the parents have limited capital; the need for an arrangement to transfer the family farm once every generation; the difficulties involved in providing equitable treatment to sons and daughters who have left the farm; problems connected with estate planning such as retirement plans, life insurance and estate taxes.

Perhaps, most important of all, the rapidly increasing capital requirements of the modern farm business have placed a tremendous burden on the farmer and his family to accumulate sufficient savings during their lifetime to finance the business operations. The goal of a debt free farm by the time of retire-

[4] See, for example, Ray, V. K., *The Corporate Invasion of American Agriculture*, published by the National Farmers' Union, Denver, Colorado, 1968.

TABLE 5

Estimated Farm Credit Extended 1960 to 1967

| Source and Term of Credit | Estimated Farm Credit Extended 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967[1] | Per cent of Credit Extended 1967 |
|---|---|---|---|---|---|---|---|---|---|
| | (millions of dollars) | | | | | | | | (per cent) |
| *Long term (over 10 years)* | | | | | | | | | |
| Farm Credit Corporation | 52.3 | 68.9 | 78.4 | 96.3 | 139.8 | 201.7 | 234.4 | 251.2 | 11.5 |
| Veterans' Land Act | 19.4 | 15.2 | 15.7 | 18.2 | 15.9 | 21.1 | 33.6 | 31.3 | 1.4 |
| Provincial government agencies | 37.0 | 38.1 | 39.0 | 40.4 | 49.4 | 47.8 | 51.4 | 63.6 | 2.9 |
| Private individuals | 7.0 | 8.0 | 8.0 | 9.0 | 10.0 | 11.0 | 12.0 | 16.0 | 0.7 |
| Insurance, trust and loan companies | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 | 8.0 | 10.0 | 13.0 | 0.6 |
| Treasury Branches (Alberta) | 1.6 | 1.6 | 1.4 | 1.2 | 0.3 | 0.6 | 0.8 | 0.8 | 0.0 |
| Railway and land companies | 0.4 | 0.4 | 0.2 | | | | | | |
| Total long term | 120.7 | 136.2 | 147.7 | 171.1 | 222.4 | 290.2 | 342.2 | 375.9 | 17.1 |
| *Intermediate term (18 months to 10 years)* | | | | | | | | | |
| Banks (FILA) | 101.9 | 108.1 | 118.1 | 136.0 | 150.8 | 202.7 | 212.8 | 203.7 | 9.3 |
| Private individuals | 75.0 | 78.0 | 79.0 | 85.0 | 95.0 | 108.0 | 120.0 | 134.0 | 6.1 |
| Supply company finance | 29.0 | 27.0 | 28.0 | 30.0 | 32.0 | 34.0 | 38.0 | 43.0 | 1.9 |
| Insurance, trust and loan companies | 0.5 | 1.0 | 2.0 | 2.0 | 3.0 | 3.0 | 4.0 | 4.0 | 0.2 |
| Industrial Development Bank | | 0.2 | 0.4 | 4.8 | 5.9 | 7.1 | 6.9 | 6.1 | 0.3 |
| Credit Unions | 4.0 | 7.0 | 20.0 | 37.0 | 51.0 | 61.0 | 74.0 | 90.0 | 4.1 |
| Municipal (Ontario T.D.A.) | 1.3 | 1.3 | 1.4 | 1.6 | 1.9 | 1.8 | 2.2 | 2.5 | 0.1 |
| Finance companies (cars and trucks) | 8.0 | 9.0 | 11.0 | 12.0 | 14.0 | 15.0 | 15.0 | 16.0 | 0.7 |
| Treasury Branches (Alberta) | 0.3 | 0.3 | 0.4 | 0.2 | 0.3 | | | | |
| Sedco (Saskatchewan) | | | | | 0.1 | 0.4 | 0.5 | 1.0 | 0.0 |
| Total intermediate term | 220.0 | 231.9 | 260.3 | 308.6 | 354.0 | 433.0 | 473.4 | 500.3 | 23.0 |
| *Short term (up to 18 months)* | | | | | | | | | |
| Banks (non FILA) | 302.0 | 363.0 | 428.0 | 491.0 | 541.0 | 574.0 | 618.0 | 733.0 | 33.6 |
| Supply company finance | 237.0 | 245.0 | 256.0 | 271.0 | 287.0 | 307.0 | 311.0 | 348.0 | 16.0 |
| Credit Unions | 51.0 | 63.0 | 72.0 | 75.0 | 75.0 | 72.0 | 70.0 | 69.0 | 3.2 |
| Finance companies (household and personal) | 6.0 | 8.0 | 9.0 | 10.0 | 12.0 | 13.0 | 14.0 | 15.0 | 0.7 |
| Dealers, stores, etc. | 25.0 | 24.0 | 22.5 | 21.0 | 19.5 | 18.0 | 19.5 | 15.0 | 0.7 |
| Private individuals | 55.0 | 62.0 | 71.0 | 77.0 | 85.0 | 90.0 | 95.0 | 110.0 | 5.0 |
| Treasury Branches (Alberta) | 8.0 | 9.5 | 12.0 | 14.2 | 12.5 | 13.5 | 12.7 | 13.1 | 0.6 |
| Total short term | 684.0 | 774.5 | 870.5 | 959.2 | 1,032.0 | 1,087.5 | 1,140.2 | 1,303.1 | 59.8 |
| Total all credit | 1,024.7 | 1,142.6 | 1,278.5 | 1,438.9 | 1,608.4 | 1,810.7 | 1,955.8 | 2,179.3 | 99.9 |

[1]Preliminary.

SOURCE: R. S. Rust, Farm Credit Reviewed, *Canadian Farm Economics*, Vol. 3, No. 4, October 1968.

ment has placed many farmers in a "forced savings trap" which is becoming more and more burdensome as the capital requirements of farming increase.

The farmer is forced into an unduly high rate of savings in order to accumulate the necessary initial equity to qualify for credit; he continues the high rate of savings during his lifetime in order to eliminate all debt by the time of retirement. Few other businesses are faced with these types of problems in financing their operations.

The tremendous variation in farm size and the great range of credit needs associated with the different regions of Canada make it difficult, if not impossible, to develop one credit policy for the entire farming industry of this country. What appears to be clear is that there is a need for essentially two different types of agricultural credit policies in Canada: one policy aimed at the needs of the viabie or potentially viable commercial farmers; a different policy for the group of farmers where credit is only one of a package of public policies needed for the development of the farmer and his operations.

This classification of credit policies appears to be consistent with the growing recognition that agricultural policy, in general, must be aimed more specifically at different economic classes or groups of farmers in Canada. A credit policy aimed at the requirements of the top 7.2 per cent of the commercial farmers in Canada (see Table 1) will not be suitable for the bottom half of the commercial farmers. We will return to this issue later when we examine alternative structures for farm credit policy in Canada.

## PART II

## CREDIT INSTITUTIONS

In the long-term mortgage credit field, the Federal Farm Credit Corporation provided approximately two-thirds of the farmers' credit needs in 1967 (Table 6). The next most important source of long-term credit was the provincial government credit agencies. From the mere $3 million extended in 1960, the insurance, trust and loan companies increased the amount of farm credit to $13 million in 1967. In total, the amount of long-term credit extended to farmers in 1967 was estimated to be approximately $376 million. It is estimated that Canadian farmers had approximately $1½ billion of long-term mortgage credit outstanding in 1967.

The amount of intermediate-term credit extended to Canadian farmers in 1967 was estimated to be $1.3 billion of which $538 million was provided by private individuals. The next largest source of intermediate-term credit was the commercial banks which loaned approximately $433 million under the Farm Improvement Loans Act in 1967. The credit unions and supply companies also provided a considerable quantity of intermediate-term credit to farmers.

TABLE 6

Veterans' Land Act: Number of New Loans and Additional Loans for Selected Years

| Fiscal Year | Full-time farming New Loans | Full-time farming Additional Loans | Full-time farming Amount Disbursed | Part-time farming New Loans | Part-time farming Additional Loans | Part-time farming Amount Disbursed |
|---|---|---|---|---|---|---|
| | no. | no. | ($ million) | no. | no. | ($ million) |
| 1943–47.......... | 13,094 | | 58.6 | 11,285 | | 42.6 |
| 1947–48.......... | 4,711 | | 19.5 | 4,258 | | 18.8 |
| 1952–53.......... | 1,002 | | 5.0 | 3,103 | | 14.8 |
| 1954–55.......... | 739 | 419 | 5.0 | 2,780 | | 15.9 |
| 1960–61.......... | 313 | 1,925 | 16.7 | 1,786 | | 13.8 |
| 1964–65.......... | 241 | 1,201 | 11.8 | 2,407 | 1,379 | 24.8 |
| 1966–67.......... | 269 | 2,044 | 25.8 | 4,140 | 2,690 | 52.1 |

SOURCE: Veterans' Land Act Administration

Canadian farmers borrowed slightly over $1 billion in 1967 in the form of short-term loans. Of this amount, over half was provided by the commercial banks. In spite of the relatively high interest rate charged, farmers also obtained a considerable amount of short-term credit from the supply companies. Credit union and private individuals were also active in the short-term credit business.

It is not possible in a paper of this type to make a detailed examination of all the institutions involved in the farm lending business in Canada. The discussion here will be confined to an examination of the more general features of the farm lending organizations.

### *Federal 1—Farm Credit Corporation*

The Federal Government is heavily involved in various ways in the farm credit field. Its most important farm credit agency is the Farm Credit Corporation. The Corporation, which replaced the Canadian Farm Loan Board in 1959, is primarily involved in long-term mortgage credit operations. The Act provides for two types of loans. Under Part II of the Act loans are made on the security of land only and the maximum loan to any one individual is $40,000. A recent amendment to the Act provides for a maximum of $80,000 to two individuals who combine their operations and up to $100,000 for three or more partners or members of a farming corporation. Under Part III of the Act, farmers between the ages of 21 and 45 years of age, may receive loans up to a maximum of $55,000 for an individual or up to $100,000 for two or more persons farming together. The loans are supervised and are based on the security of land, livestock and machinery.

Until a recent amendment to the Act, the interest rate was set at 5 per cent for the first $20,000 loaned under Part II and the first $27,500 loaned under Part III. This restriction has now been removed. The rate of interest is closely related to the market cost of borrowing money by the Corporation.

Between 1958-59 and 1967-68, the annual amount of loans disbursed by the Corporation increased from $28.4 million to $263 million; and the average size of loan increased from $6,089 to $22,020.[5]

The purpose for which the new funds provided by the Corporation were used in 1968-69 were as follows:

| | |
|---|---|
| Land secured debts | 10.3% |
| Permanent improvements | 15.9% |
| New units | 15.1% |
| Additional land | 49.2% |
| Livestock | 1.4% |
| Equipment | 1.5% |
| Miscellaneous | 2.0% |
| Other debts | 4.6% |
| | 100.0% |

At the end of 1968-69, there were over 67,108 mortgages outstanding to Canadian farmers and the total debt outstanding amounted to approximately one billion dollars.

### *Federal 2—Farm Machinery Syndicates Credit Act*

The Farm Machinery Syndicates Credit Act which came into operation in 1965 is administered by the Farm Credit Corporation. Syndicates of three or more farmers may borrow under the Act for purchase of machinery for co-operative use. Syndicates may borrow up to 80 per cent of the value of the machinery being purchased up to a maximum of $15,000 per member with $100,000 being the maximum regardless of the number of members involved. From the inception of the Act in 1965 to the end of March, 1969, 577 loans were approved and a total of 1,718 farmers have taken advantage of the program. Loans ranged from $700 up to $45,000 with an average of $7,800.

Syndicate Loans Approved January 1, 1965 to March 31, 1969

| F.C.C. Branch | January 1, 1965 to March 31, 1969 — Total number of loans | Total amount loaned (dollars) |
|---|---|---|
| British Columbia | 21 | 128,542 |
| Alberta | 220 | 1,880,882 |
| Saskatchewan | 69 | 381,156 |
| Manitoba | 71 | 448,364 |
| Ontario | 89 | 785,746 |
| Quebec | 99 | 919,660 |
| Atlantic Provinces | 8 | 88,715 |
| Total | 577 | 4,633,065 |

SOURCE: Annual Report of the Farm Credit Corporation 1968–69

[5] See the appendix for a more detailed statistical analysis of the various lending institutions in Canada. The presentation in this section is based on the G. C. Garland and S. C. Hudson study, *Government Involvement in Agriculture.*

The primary objective of the Farm Machinery Syndicate Act is to encourage farmers to meet in a more economical way some of the costs of ownership of necessary machinery and equipment.

### *Federal 3—The Veterans' Land Act*

The Veterans' Land Act of 1942 has undergone several revisions. The maximum outstanding loan for commercial farmers at the present time is $40,000 and $18,000 for small family farms.

Along with its lending program, the Veterans' Land Act Administration introduced a credit advisory service which was later adopted by the Farm Credit Corporation. Since the inception of the Act, almost 32,000 veterans have been established as full-time farmers under the program. The number of farmers receiving loans under the Act has been steadily declining. During recent years, however, the total amount of credit extended to veterans has increased. In 1966-67, a total of 269 farmers received new loans and 2,044 farmers received additional loans for a total of approximately $25.8 million.

The amount of credit extended for part-time farming has increased quite substantially during recent years. In 1966-67 a total of 4,140 new loans and 2,690 additional loans amounting to $52 million were extended for part-time farming.

### *Federal 4—Farm Improvement Loans Act*

The Farm Improvement Loans Act, first passed by Parliament in 1944, permitted the commercial banks to make intermediate and short-term loans to farmers with a guarantee by the Government up to ten per cent of any losses incurred on loans made under the Act. Until recent amendments to the Act, a farmer could borrow up to a maximum of $15,000 at an interest rate set at 5 per cent. The new amendments to the Act have removed the interest rate ceiling, established an overall maximum loan limit of $25,000 of which up to $15,000 can be for land loans and opened the range of lenders eligible for the guarantee to include loan, trust and insurance companies, credit unions and caisses populaires.

From 1945 to the end of 1967, a total of 1,419,093 loans were made under the Farm Improvement Loans Act for a total of $2.1 billion. More than two-thirds of all loans made under the Act from 1945 to 1967 were made in the Prairie Provinces. About 80 per cent of the loans made under the Act were for the purchase of agricultural implements, eight per cent for the purchase of livestock, eight per cent for construction, repair or alteration of buildings, and four per cent for other improvements. In view of the heavy emphasis on loans for the purchase of agricultural machinery and equipment, one farmer suggested to the Task Force that the Act should have been called the "Farm Implements Loan Act".

### *Federal 5—Prairie Grain Advance Payments Act*

Under the Prairie Grain Advance Payments Act which was passed in 1957 to provide prairie farmers with funds when they were unable to deliver grain due to the lack of elevator space, the Canadian Wheat Board was authorized to advance money to the farmer on the security of grain held on the farm for future delivery to the Board. Under recent amendments to the Act, the maximum possible advance was increased from $3,000 to $6,000; the Wheat Board can now advance payments at the rate of $1 per bushel for wheat, 70 cents per bushel for barley and 40 cents per bushel for oats stored on the producer's farm subject to the maximum allowance of $6,000 per applicant. Repayment of a loan is made by deducting 50 per cent of the initial payment for all grain delivered subsequent to the loan, except that delivered under a unit quota. The loan is available without interest for the period until elevator space becomes available, the interest charge on the loan being borne by the Federal Government.

During the period August 1, 1957 to July 31, 1969, the number of farmers applying for cash advance under the Act varied from 22,342 to 113,491 per year. The average size of the advance ranged from $698 to $1,338. Total advances were as high as $151.8 million in 1968-69. The cost to the Federal Government for interest charges and defaulted payments for the period 1957-58 to 1967-68 amounted to $7.5 million. The cost to the Federal Government in the form of interest free cash advances could be $14 million in the crop year 1969-70 (see Chapter 5).

### *Federal 6—Industrial Development Bank*

Since 1961, the Industrial Development Bank, a subsidiary of the Bank of Canada, has been able to provide mortgage loans for new and existing agricultural enterprises whose owners require assistance for sound projects, and who are unable to obtain the required financing elsewhere on reasonable terms and conditions. Loans are made through the commercial banks and have no fixed limits. During the seven years, 1961 to 1967, 1,052 loans of an average size of $33,446 were made for agricultural purposes. The amount loaned during the period was $35.2 million.

### *The Provinces*

All ten provinces[6] have been involved in the farm credit field. In 1967 it is estimated that the provincial government credit agencies extended $63.6 million of farm credit and the total outstanding farm debt owing to the provinces amounted to $332.3 million.

#### *British Columbia*

The Farmers' Land Clearing Assistance Act, designed to help farmers finance the clearing and breaking of land, is administered by the Minister of Agriculture. Repayment of the loan is by equal annual instalments, during a period of 15 or 20 years and the interest rate is four per cent. During 1967, there were 339 loans extended for a total of $529,487. At the end of 1967, there were 1,338 loans outstanding for a total of $1.8 million.

The provincial government under the Distress Area Assistance Act may enter into an agreement with the Federal government to share equally in a

[6] The description provided here of the provincial farm credit programs is drawn from the Garland and Hudson study, *Government Involvement in Agriculture*.

guarantee to a bank against losses from loans made to farmers in a distress area under the Federal Farm Improvement Loans Act, for the purpose of replanting crops or purchasing feed. The provincial government may also enter into an agreement with a bank whereby the province guarantees a part of the losses of loans made in distress areas. The maximum loan is $5,000 and the interest rate is six per cent.

*Alberta*

Under the Farm Purchase Credit Act in Alberta, a farmer may borrow up to $24,000 or 80 per cent of the selling price of the land. The maximum value of the farmland owned and to be purchased cannot exceed $50,000. At December 31, 1967, there were 2,850 loans outstanding for a total of $23.1 million. Under the Alberta Feeder Association Loans the provincial government will guarantee 25 per cent of the loss sustained by any person on a loan made to a feeder association. The farmer who must be a member of a feeder association may obtain a loan up to $3,000 in his first and $6,000 in his second year of feeding. During 1967, loans totalling $6.2 million were extended to 1,229 members of feeder associations at an interest rate of six per cent.

*Saskatchewan*

The Saskatchewan Family Farm Credit Act provides loans to farmers up to $25,000 and are not available to farmers whose assets exceed $35,000. Since the inception of this program in 1959, more than $7 million has been loaned to farmers.

In November, 1969, the Government of Saskatchewan passed legislation known as the *Livestock Loans Guarantee Act* which provides for the following: banks or credit unions loaning to farmers under the Act have a government guarantee against losses sustained up to a maximum of 25 per cent of the aggregate valued loans made; an interest rate ceiling (presently seven per cent) above which the government will subsidize the interest rate for the first three years of the loan: the maximum size of loan under the Act to be $6,000 repayable over a period not exceeding seven years. The primary purpose of the Act is to encourage farmers to establish livestock enterprises.

*Manitoba*

In 1968, after eight years of active lending to farmers, the Government of Manitoba repealed its Farm Credit Act and replaced the Agricultural Credit Corporation with the Manitoba Agricultural Credit and Development Corporation under the Manitoba Agricultural Credit and Development Act. The 1968 legislation in Manitoba provides for a guarantee or underwriting of a percentage of losses sustained by banks and other approved lending institutions in respect to lines of credit including short and intermediate term loans made to farmers. During the eight years ending March 31, 1967, the Manitoba Agricultural Credit Corporation approved loans totalling $41.3 million of which 74.4 per cent was for the purchase of land.

In October, 1969, the Government of Manitoba introduced a new Agricultural Credit Corporation Act. The new Act retains the loan guarantee features of the previous legislation and, in addition, provides for the reactivation of direct lending to farmers. The direct loans to farmers by the Agricultural Credit Corporation may include a complete line of credit—long, intermediate and short-term credit. A major provision of the new Act enables the Credit Corporation, with the approval of the Provincial Government, to acquire farmland by lease or purchase. This feature of the Act will permit the withdrawal of equity capital by those farmers wishing to leave agriculture and the creation of viable farm units through consolidation of the uneconomic units. The interest rate to farm borrowers under the Act will equal the cost of money to the government while the administration costs of the program will be borne by the government itself.

*Ontario*

The Ontario Junior Farm Establishment Loan Corporation ceased to operate in February, 1969. It made loans to qualified junior farmers, to owners of family farms and incorporated family farms where one of the family members was a junior farmer, and to farmers who operated a farm as a partnership where one of the partners was a junior farmer. The total amount of debt outstanding as of March 31, 1967, was $57.9 million.

*Quebec*

There are several types of credit legislation in Quebec. Under the Quebec Farm Credit Act of 1936 (amended several times and again in 1969), two types of loans are available: a *Regular Loan* and an *Establishment Loan.* The Regular Loan cannot exceed 90 per cent of the appraised value of the property or $25,000, whichever is lesser and is repayable over a period not exceeding 39½ years. From the institution of the Act in 1936 to December 31, 1968, loans have been made totalling more than $371 million. Under an amendment of the Farm Credit Act in 1961 and 1969 an *Establishment Loan* was provided for the purchase of an economic farm unit to farmers between 21 and 40 years of age. The loan cannot exceed 90 per cent of the appraised value of the property or $25,000. The interest rate on the first $15,000 loaned is 2½ per cent and the repayment period up to 39½ years.

The rate of interest on the portion of the loan in excess of $15,000 will be fixed by regulation. A special rebate of one-third of the amount of the loan (maximum of $3,000) is granted after 10 years provided occupancy and other conditions have been met.

Under the Quebec *Farm Improvements Loan Act,* the provincial government may make interest rebates and guarantees to banks and credit unions on certain types of loans made to farmers. The maximum amount of the loan to a farmer is $10,000. The provincial government repays the farmer who has borrowed from an approved source, an amount equal to three per cent interest on the loan. The government also guarantees to pay banks or credit unions up to 10 per cent of the total losses of capital and interest resulting from loans made under this program. From the institution of the program in 1962 to December 31, 1968, almost $153 million have been loaned under the Act.

Finally, the *Quebec Farm Loan Act* enables farmers who borrow from the Federal Farm Credit Corporation or the Veterans' Land Administration, to have loans at an interest charge similar to that for farmers who borrow from the Quebec Farm Credit Bureau. In general, provision is made for payment to the farmer by the provincial government of an amount equal to that paid in interest in excess of a rate of 2½ per cent on loans from the federal credit agencies.

*New Brunswick*

Under the New Brunswick *Farm Adjustment Loans Act,* the Farm Adjustment Board may make loans for the purchase of farms, additional farmland, machinery and livestock and for the erection of farm buildings. At March 31, 1967, loans outstanding totalled $2½ million. The New Brunswick *Farm Credit Assistance* legislation which was enacted in 1966, provides for the payment by the Province of the difference, not exceeding three per cent, between an annual interest rate of 2½ per cent and that charged by the Federal Farm Credit Corporation on loans made to farmers in the province. Under the Farm Loans Guarantee legislation the Province guarantees 50 per cent of the loss or $2,500, whichever is the lesser, to a bank or a credit union which makes a loan to a farmer for the purchase of livestock.

*Nova Scotia*

In 1967, Nova Scotia passed a new act related to farm credit. The new legislation which is administered by the Nova Scotia Farm Loan Board provides for loans to individuals, partners or members of a limited corporation up to a maximum of $100,000; a part-time farmer may obtain a loan up to a maximum of $20,000.

*Prince Edward Island*

In Prince Edward Island legislation providing for loans to farmers by the provincial government is administered by the Farm Establishment Board. The loan cannot be more than 85 per cent of the appraised value of the security or $10,000. An additional loan of up to $10,000 or 85 per cent of the appraised value of the security may be obtained for the purchase of land.

*Newfoundland*

The Newfoundland Farm Development Act passed in 1953 is designed to aid farmers to improve or enlarge their farming operations. Loans made for the improvement of farmlands or the purchase of livestock may not exceed 75 per cent of the appraised value of the security, and those loans used for the purchase of farm equipment may not exceed 70 per cent of the cash price of such equipment. A farmer may obtain loans up to $3,500 for the purchase of livestock and up to $3,000 for the purchase of farm equipment. The interest rate on all loans is 3½ per cent.

### *The Commercial Banks*

From the standpoint of the private sector, the commercial banks are by far the most important source of short-term credit for farmers. In 1967, the commercial banks extended a total of $203.7 million under the Farm Improvement Loans Act and another $733 million of ordinary loans to Canadian farmers. In addition, the commercial banks are an important source of credit to many of the farm supply industries who, in turn, extend credit to farmers in recent years. The commercial banks have tended to concentrate on the short-term credit needs of farmers and, indeed, until the change in the Bank Act in 1967, the banks were not permitted under normal circumstances to make mortgage loans on farmland. The present Bank Act does permit the commercial banks to take mortgages on real estate; whether this becomes an extensive practice remains to be seen. Until recently, the commercial banks have made no serious attempt to develop specialized farm credit facilities as many of the banks in the United States have done. However, there are encouraging signs that the Canadian banks may be beginning to realize the unique needs of the modern commercial farmer. The recent establishment of agricultural departments by several of the banks is a commendable step in the right direction. Credit institutions who deal in any extensive way with the agricultural industry will have to become more conversant with the current developments which are taking place in the field of farm management.

## PART III

## AN EVALUATION OF CREDIT POLICIES AND ISSUES

During recent years many worthwhile changes and amendments have been made in farm credit policies and practices in Canada. On the other hand, many limitations and weaknesses still remain to be resolved. We will examine some of the major features of agricultural credit in Canada and present a brief evaluation of each.

### 1. *Duplication of Credit Facilities*

One of the more striking features of farm credit in Canada is the great number of agencies and institutions involved in providing credit to farmers. From the standpoint of the public sector alone, the Federal Government is involved in several different types of farm credit and all ten provinces have been involved in one way or another in the farm credit business. It would appear reasonable and sensible for the Federal Government to bring about a greater degree of co-ordination and integration among its various agricultural credit policies. Why, for example, are maximum loan limits provided for under the Farm Credit Corporation and Development Bank? Why should the loans provided for under the Prairie Grain Advance Payments Act not be provided and administered under the Farm Improvement Loans Act? Why, in view of the provisions made under Part III of the Farm Credit Act, should the Farm Improvement Loans Act and the Farm Credit Act not be administered from one Department of Government? Why, indeed, should several different departments of the Federal Government be involved in the administration of agricultural credit?

There appears to be considerable duplication of resources and effort between the federal and provincial farm mortgage credit agencies. While many of the provinces do have provisions under their farm credit legislation which are different from those of the federal farm credit agencies, nevertheless the primary objectives and lending practices of the federal and provincial credit institutions are remarkably similar.[7]

An additional difficulty insofar as the federal farm credit institution is concerned, involves the area of farm management and extension activities. From a constitutional and jurisdictional point of view, the provinces claim responsibility for the provision and administration of agricultural extension services and, yet, the Federal Farm Credit Corporation must inevitably become involved in farm management and extension activities, particularly under Part III of the Farm Credit Act. This is an issue which will bear very careful examination.

### 2. *Interest Rates*

The recent move by the Federal Government to remove the interest rate ceilings under the Bank Act, the Farm Improvement Loans Act, and the Farm Credit Act will eliminate many of the anomalies which resulted from such restrictions. Farm borrowers, of course, prefer low to high interest rates, but there is little doubt that the rigid interest rate ceilings of the past have restricted the flow of much needed credit into agriculture, particularly during times when the market rate of interest has been high. In addition, the restricted rates of interest have prevented the credit institutions from providing many of the services now expected from progressive lending institutions.

The practice of subsidizing interest rates, a very contentious issue, does not represent, in our view, a desirable policy. If the returns to investment in agriculture are low relative to the interest rates on borrowed capital, the remedy should focus on the low returns, not the interest rate. If the interest rates are high—extra-ordinarily high as they are at the present time—the solution must be found in reducing the market rate of interest, not subsidizing it. We feel that adequate monetary and fiscal policies, and aggressive competition among the various lending institutions are the best means of protecting farm borrowers against unduly high rates of interest.[8]

While the Task Force does not favour the use of subsidized interest rates as a general practice, it does recognize that several of the provincial credit agencies have particular policies which provide subsidized interest rates to young farmers, low-income farmers, Saskatchewan Livestock Loans Guarantee Act, etc., as part of a general agricultural policy or program. Such a practice may have short-run beneficial effects particularly when interest rates are unusually high as in 1966-70.

[7] While duplication does appear to exist between the federal and provincial credit agencies, it should be noted that several of the provincial credit agencies have provided credit to farmers unable to obtain loans from the federal agency. This appears to have been particularly true for young farmers. Regional differences in Canada make it difficult for a federal agency to formulate nation-wide policies which will be equally applicable in all regions of the country.

[8] See, for example, the *Report of the Royal Commission on Banking and Finance*, p. 561: We have emphasized throughout our report the advantages of allowing the financial institutions to compete as freely as possible for business, subject to the regulation necessary for the protection of their customers. Many of the present investment restrictions contribute nothing to public protection, impose inequitable constraints on the institution and thus serve only to reduce the efficiency with which a more competitive system could serve the country. These blockages in the financial system frequently cause the public to pay higher prices for credit, and sometimes prevent it from getting credit at all.

The Task Force also supports the proposal that all interest charges, particularly on trade credit, should be expressed as a simple interest rate. It is difficult to understand why farmers continue to use high-cost trade credit when other lower-cost sources of credit are available, unless it is because they do not know what the actual interest charge is on the trade credit. Interest rate disclosure would, at least, provide the farm borrower with an opportunity to shop for his credit needs.

### 3. *Maximum Loan Limits*

While the Federal Government has recently increased the loan limits under its various credit Acts to levels more nearly consistent with the credit needs of the commercial farmer, several of the provinces still have loan limits far too low to encourage an efficient and healthy agriculture. There are a growing number of farmers—family farmers—in Canada whose credit needs go well beyond the maximum loan limits now provided for under many of the provincial farm credit acts. Unduly low loan limits are an effective way of perpetuating poverty in many parts of Canada.

### 4. *Emphasis on the Farm Management Approach to Lending and Borrowing*

Traditionally, farm lending institutions, both public and private, have depended almost exclusively on the value of assets owned by a potential borrower as the basic criterion of his eligibility for a loan. In some instances, the lender has not been particularly interested in how the loan was invested so long as there was adequate security to cover the debt. This approach to farm lending is understandable. First of all, the lender wishes to ensure that he will be in a position to recover the full value of the outstanding debt through the sale of the assets should the borrower default on his loan. Secondly, the security approach to lending is relatively easy to administer—the lender is not required to know much about the technical operations of the borrower's business so long as there is ample security to back the loan.

Pushed to the extreme, however, the "security approach" to farm lending means that only the well-established farmers—generally the farmers least likely to want credit—are eligible for loans. As one farmer expressed it:

> Money is what you can get if you have credit; credit is what you can get if you have enough money so that you don't need it.

Lending institutions must have, of course, some form of security for their loans to farmers. But increasing emphasis will need to be placed on the farm management approach to lending and borrowing. The farmer must be prepared to submit a profit and loss statement on his business and a budget indicating how the credit is to be used. The lending institutions will have to know as much about modern farming practices as the best commercial farmers.

It is gratifying to note that a growing number of farmers not only can provide the lender with a well analyzed set of financial accounts but they can also provide him with a well defined budget or plan of how they propose to invest the borrowed capital in their businesses. Many of the lending institutions have recently taken steps to develop a specialized credit program for farmers.

### 5. *Credit requirements for different types of farmers*

We emphasized earlier that a credit policy which is suitable for the established commercial farmer is not likely to be adequate for the small, low-income farmer. In view of the growing need for a clearer distinction between a commercial policy for agriculture and a rural development policy for low income farms, we suggest that two separate types of credit policy be established: a credit policy for commercial farmers and a separate credit policy for low income or sub-commercial farmers. A rural development credit policy would place as much emphasis on the development of management skills as it would on the provision of credit. The commercial farm credit policy would be primarily concerned with the provision of adequate loaning facilities for the commercial farmer.

### 6. *Forced Savings Trap in Agriculture*

The growing capital requirements of the modern farm business have made it increasingly difficult for the farm family to accumulate the necessary capital once every generation to finance the business. Farmers are caught in a "forced savings trap" that is becoming increasingly more burdensome. It may be that some radically different way of financing the agricultural industry will have to be developed within the next few years. It does not appear that more liberal credit arrangements will provide the answer. As long as farmers insist on complete control and ownership of the equity capital in agriculture and a debt-free farm by the time of retirement, a high rate of forced savings will continue to characterize the industry. New methods of financing the agricultural industry, however, will call for radical changes in the traditional forms of management and ownership in agriculture. How the new methods of financing the agricultural industry can be reconciled with the deeply-rooted tradition of the family farm is one of the more fundamental questions of agricultural policy at the present time.

### 7. *Meeting Short-Term and Intermediate-Term Needs*

The short and intermediate-term credit needs of Canadian farmers should continue to be provided primarily by the commercial banks. At the moment, commercial banks supply over fifty per cent of this type of credit and there is no reason why the banks cannot continue to assume this important responsibility. However, the Task Force feels that the commercial banks should place greater emphasis on the following practices:

(1) Agricultural departments within the banks should become the rule rather than the exception. The complexity of modern day farming practices calls for a high degree of sophistication and specialization in farm lending policies.

(2) Greater emphasis should be placed on "farm management loans" rather than on the traditional security approach to farm lending.

(3) The banks should make every attempt to integrate their lending activities with the long-term government credit programs. It appears

to be desirable for governments to establish a "guarantee against loss" for bank loans made to farmers under certain circumstances e.g. operating credit for sub-commercial farmers.

(4) The commercial banks should aim to take-over a considerable part of the high interest farm credit now provided by farm supply firms. It is hard to understand why farmers continue to use "farm supply" credit when loans can be obtained from the commercial banks at lower interest rates. Perhaps this practice has persisted because of the lack of agricultural specialists in the commercial banking system.

(5) The commercial banks could benefit greatly by a closer liaison with the provincial farm management extension agencies. The provincial farm management extension agencies are providing services in the form of farm accounting, data processing, budget analysis, etc. which could be of invaluable help to the banker in assessing the credit needs and management capacity of the farmer.

Credit and management have become the key inputs in modern commercial farming. Credit by itself can be a liability if the farmer does not have the management ability to use the credit wisely. On the other hand, management ability is of little value if the farmer does not have the necessary capital to finance his operations. The modern progressive lending institution should have the capacity to service both the capital and management needs of the commercial farmer.

## PART IV

## FOUR ALTERNATIVES IN PROVIDING FARM MORTGAGE CREDIT

There are several different programs and organizational structures which could be used in providing farm mortgage credit. In this section, the Task Force describes four of these alternatives:

1. The Present System
2. Mortgage Insurance
3. Co-operative Credit System
4. Federal-Provincial Credit System

The Task Force advanced the Co-operative Credit System for discussion at the Canadian Agriculture Congress in March 1969. It became apparent then and upon later consideration, that while this system has many good features, it does not seem appropriate at this time. The Task Force recommendations propose a Federal-Provincial Credit System.

## ALTERNATIVE ONE

### CONTINUATION OF PRESENT STRUCTURE

The Federal Farm Credit Corporation and the provincial credit agencies would continue to provide farmers with long-term mortgage credit. While these agencies have done a good job within the legislative framework provided, there remain the problems of duplication, restrictive loan-limits set by several of the provincial credit agencies, subsidization of interest rates, difficulty in mobilizing the necessary capital funds by many of the provinces, a lack of suitable credit facilities for sub-commercial farms, and the jurisdictional serious problem between the Federal and provincial farm credit agencies in providing farm management and supervisory credit services. The provinces claim that they have a traditional and constitutional responsibility for all matters relating to agricultural extension activities; many regard the involvement of the Federal Government in farm management advisory services through the Farm Credit Corporation as an intrusion into traditional provincial territory. The Farm Credit Corporation, on the other hand, cannot properly perform its function as a lending agency unless it does become heavily involved in the provision of farm management services, particularly under Part III of the Farm Credit Act. It appears unlikely that anything can be done about this problem as long as both the Federal and provincial governments are directly and separately involved in the agricultural credit field.

Another aspect of the Federal Government involvement is the large number of Federal departments which are currently involved, either directly or indirectly, in the farm lending business. These include the Department of Agriculture, through the Farm Credit Corporation, the Department of Veterans' Affairs, the Farm Improvement Loans Act administered under the Department of Finance, the Prairie Grain Advance Payments Act administered through the Canadian Wheat Board under the jurisdiction of the Department of Trade and Commerce, the Industrial Development Bank, a subsidiary of the Bank of Canada and the ARDA-FRED programs, administered under the Department of Regional Economic Expansion, which make provisions for various forms of capital grants and for the purchase and sale of farmland. This multiplicity of federal credit agencies must inevitably result in confusion, conflict and inefficiency. If the Federal Government is to continue its involvement in these various fields, it would seem prudent to integrate and consolidate many of the agencies involved. Furthermore, if the Federal Government is to have one credit policy for Canadian agriculture it would seem prudent to have one department administer such a policy.

## ALTERNATIVE TWO

### A FARM MORTGAGE INSURANCE PROGRAM

Several policies and techniques have been used by governments to encourage private lending agencies to enter the farm credit business. One technique used by the Federal Government has been the "guarantee against loss" type of program. Under the Farm Improvement Loans Legislation, for example, the Federal Government guarantees each bank against losses sustained by it up to an amount equal to 10 per cent of loans granted by it in a lending period. Losses under this program have been relatively small. Claims paid by the Federal Government under the repayment guarantee, between 1945 and 1967, totalled 3,432 or about 0.2 per cent of all loans made. Claims paid, plus interest and collection costs, totalled $2.7 million, just over 0.1 per cent of the total amount extended in loans, and of this amount $361,000 was later recovered.

Another technique which has been widely used in the housing industry since 1954 and which may have merit for agricultural lending is the insured mortgage. The insured mortgage provides protection to the lender against loss. The insurer in the case of the insured mortgage loan for housing in Canada has been the Central Mortgage and Housing Corporation. The insured mortgage for agricultural lending purposes has not been used to date in Canada.[9]

The insured mortgage approach appears to have particular merit in situations where risk of loss to the private lender is such that it restricts lending or discourages it altogether. This appears to be true to a degree in the agricultural industry where crop yields and prices are notoriously unstable—factors which tend to discourage the private lender from investing in agriculture when more attractive alternatives are available.

There are several ways in which the insured mortgage may be used to induce the private lending agencies to channel more credit into the agricultural industry. The insured mortgage may be used to encourage the private lender to extend more credit to the individual farmer, given his security, than would normally be the case. For example, the private lender may tend to restrict the size of loan to about 50 per cent of the value of the property offered as security for the loan. He may be encouraged to extend the size of the loan (e.g. to 80 per cent of the value of security offered for the loan) if insurance were available on the additional credit extended. An alternative would be to insure the full value of the loan extended. The latter case, of course, would involve a relatively larger mortgage insurance premium.

It is difficult to know what a proper or adequate premium rate for an insured mortgage should be in the case of agriculture.[10] We might look to the home mortgage business for some indication of what rates might be suitable.

[9] This technique has been used by the Farmer's Home Administration (F.H.A.) in the United States. In 1948, the way was opened to draw upon private loan funds for agricultural purposes by authorizing the F.H.A. (a Federal government agency) to insure farm ownership loans advanced by a private lender. The F.H.A. guarantees to the lender full payment of any loss. The mortgage insurance fee which is paid by the borrower was set originally at an annual rate of ½ per cent of the loan.

[10] In Great Britain, where the "excess risk" only is insured, the usual premium rate is about 7½ per cent of the amount insured. For example, if the property value is $10,000 the normal loan would be about $8,000. The loan might be increased to $9,000 if mortgage insurance is available on the extra $1,000 loan. The premium for such coverage would be about $75 and it would be paid as a single premium.

In the United States, the mortgage insurance premium rate under the Federal Housing Administration amounts to about ½ per cent of the average monthly balances for each year, i.e. the premium is based on the monthly reducing principal balances of the mortgage loan. Some private insurance companies offer a single premium plan which covers the initial 10 years of the loan with single premiums ranging from 1½ to 2 per cent, depending on the loan amortization rate.

In 1954, when a mortgage insurance plan was first offered in Canada under the Central Mortgage and Housing Corporation, a base figure of 3/16 per cent per annum was adopted. This annual rate was converted to a once-and-for-all single premium on the assumption that a 25-year loan amortization plan was involved and that risk of loss could be disregarded when a loan had been reduced to a point where only 40 per cent was unpaid. Under these assumptions, the single premium amounted to 1¾ per cent of the original amount of the loan. (An additional ¼ per cent was added as a single premium if loan advances were made during construction.) Under this arrangement, if a loan of $10,000 was arranged on which the insurance fee was two per cent, the mortgage would be written for $10,200. The borrower would receive advances totalling $10,000 but he would repay $10,200 over the amortization period.

The C.M.H.C. has established a Mortgage Insurance Fund into which all mortgage insurance premiums are paid. When property is acquired by a lender as a result of default by the borrower, the lender has the right of election to retain the property or to transfer it to the C.M.H.C. in exchange for a cash settlement.

One incidental, but important, aspect of the insured mortgage is that such a mortgage is more marketable (i.e. more attractive) if the primary lender wishes to sell the mortgage to some other investor. This could be of significance in the case of the commercial banks which are permitted to make farm mortgage loans but which may later wish to sell such mortgages to other commercial institutions interested in holding long term investments.

What the premium rate should be for insured farm mortgages is difficult to decide but one might look to the experience of the Farm Credit Corporation for guidance. During the 1968-69 fiscal year, for example, the net loss on 67,108 outstanding farm loans amounting to $1 billion was $45,020—a remarkably small amount. The loss under the Farm Improvement Loans Act for the period 1945-67 amounted to 0.2 per cent. It would appear that the necessary premium rate for a farm mortgage insurance plan could be achieved at reasonable cost to the borrower.

The primary value of a farm mortgage insurance program would be to encourage private commercial lending institutions to enter the agricultural credit business. If a sufficient volume of credit could be made available to farmers by the private lending institutions, the necessity of having governments involved in the farm lending field might be removed. The role of the government might be confined to the farm mortgage insurance business in a manner similar to that of the C.M.H.C. in the housing industry.

Whether a mortgage insurance program would in fact encourage private institutions to expand their farm lending operations is difficult to decide with any degree of confidence. A mortgage insurance program is based primarily on the assumption that private mortgage lenders are not involved in any significant way in the farm loans because of the risks involved. If this is correct, a government sponsored mortgage insurance program could have considerable merit. On the other hand, if other factors such as relatively high administration costs in agriculture or more lucrative alternatives in other industries are the main considerations influencing the commercial lending institutions, it is doubtful if a mortgage insurance program would offer much inducement to private lenders to enter the agricultural lending business. It would appear that a mortgage insurance program could offer some inducement for the commercial banks to expand their farm mortgage lending operations primarily because such insured mortgages could be sold more readily to other institutional investors. The commercial banks are in a good position to deal with individual farmers but they may not wish to hold any significant quantities of farm mortgages for a long-run period of time.

### ALTERNATIVE THREE

### NATIONAL CO-OPERATIVE CREDIT SYSTEM

It was pointed out earlier that two different credit policies would be required to meet the financial needs of agriculture—one credit policy aimed at the capital requirements of viable or potentially viable commercial farmers, and another policy specifically designed for the low-income or sub-commercial group of farmers.

If $5,000 worth of products sold is taken as the dividing line between the two groups of farmers, approximately 192,000 farmers (in terms of the 1966 Census) would qualify under the commercial credit policy.[11] Of the 238,634 farmers selling less than $5,000 worth of products, not all would necessarily be interested in, or qualified for, what we refer to later as rural development credit. It is safe to assume, however, that there are many farmers who need credit but who do not have the necessary management ability or the required initial equity to qualify for loans from the existing lending institutions.

The co-operative credit system which is outlined in some detail in Appendix A to this chapter would meet the credit requirements of these two general groups of farmers in Canada.

There would be two major organizations:

(a) The Agricultural Co-operative Credit Organization
and

(b) The Rural Development Credit Agency.

Both organizations would report directly to the Federal Government. The Agricultural Co-operative Credit organization would be primarily concerned with the provision of credit to commercial farmers in Canada while the Rural Development Credit Agency would be designed to service the credit and management needs of low-income or sub-commercial farmers.

Provincial or regional boards would be identified with each of the provinces or with regions such as that of the four Atlantic Provinces. Local co-operative associations would be developed, and, over a period of years the whole co-operative credit system would become self-financing. This system has much to commend it in principle, particularly in the fact that farmers themselves would assume responsibility for the provision of credit. However, the Task Force is of the opinion that with all the other changes necessary in

[11] Many would argue that the line should be drawn at a point where the value of products sold per farm is $10,000. In 1966, approximately 95,000 sold more than $10,000 worth of products.

agriculture at this time, it would be unwise to launch such a different kind of credit program in the near future. It does have merit for future consideration, and we suggest certain principles and structures (see Appendix A).

### ALTERNATIVE FOUR

### FEDERAL-PROVINCIAL CREDIT SYSTEM

In view of the fact that both the Federal and provincial governments are involved in extending long-term mortgage credit to farmers in Canada, the establishment of a joint federal-provincial farm mortgage credit system offers many possibilities. The major advantages of such a system would be:

1. It would eliminate the duplication of services between the federal and provincial farm credit agencies.
2. It would recognize the traditional responsibility of the provinces for the provision of extension and farm management programs which are closely associated with farm credit policies.
3. It would permit the Federal Government, which has the fiscal capacity to mobilize the necessary funds, to help provide the provinces with the necessary capital resources for the operation of a farm mortgage credit program.
4. It would permit the development of a national farm credit system and at the same time provide sufficient flexibility for the provinces to adapt the credit system to their individual needs and circumstances.
5. It would recognize the joint constitutional and jurisdictional responsibilities of the Federal and the provincial governments for the agricultural industry.

The parallel for the proposed federal-provincial credit system exists, in many respects, in the current crop insurance program. Under the crop insurance policy, the provinces are responsible for the administration of the program and they provide one-half of the administrative costs associated with the operations of the program. The Federal Government contributes 25 per cent of the crop insurance premiums, one-half of the administrative costs and acts as the ultimate insurer of the respective provincial programs under an arrangement where the provinces pay an annual reinsurance premium to the Federal Government.

Under a joint federal-provincial farm mortgage credit system, one possible arrangement would be to have the Federal Government provide the necessary capital funds for the system and one-half of the administrative costs of the program. The provinces, accordingly, would be responsible for the remainder of the administrative costs and would be primarily responsible for the administration of the program. The overall policy, operating guidelines and administrative procedures could be developed jointly by the Federal and provincial governments.

A variation of the proposed system would have the provinces share equally with the Federal Government in providing capital funds for the program.

In 1967 the amount of long-term credit extended by the Federal Farm Credit Corporation amounted to $251 million and that under the Veterans' Land Act to another $31 million. During the same year, the provincial agricultural credit agencies extended $64 million to farmers in Canada. Thus the Federal Government provided approximately 82 per cent of the total credit extended to farmers from both federal and provincial credit agencies.

A reasonable arrangement might be to have the Federal Government provide 75 per cent of the necessary capital funds and pay one-half of the administration costs of the proposed joint federal-provincial credit system while each of the provinces would be responsible for the remainder of the necessary capital funds and the administrative costs involved.

If the proposed federal-provincial credit system were adopted, there would be relatively little change required in the existing credit structures. Most of the present provincial credit institutions could be used with necessary modifications to fit into the proposed system. The present Farm Credit Corporation could be suitably modified to serve the federal aspects of the joint program. Presumably, a proportion of the present staff of the Farm Credit Corporation could be transferred to the respective provincial credit institutions with the remainder employed by the Federal Government for administrative and other purposes.

The above proposals deal with the provision of credit for commercial, viable farms; there remains the question of credit for small, low income, low technology farms. We have emphasized elsewhere that one policy cannot be expected always to be satisfactory both for commercial farms and for those which require special help. Nevertheless, duplication must be avoided if possible and the commercial and non-commercial program co-ordinated.

The most desirable course seems to be that of creating a Rural Development Credit Agency responsible to the Federal-Provincial Agricultural Credit Board. The Agency would therefore be a federal-provincial body fairly similar to that proposed in Appendix A (relating to the alternative of Co-operative Credit). The Task Force recognizes that there are already ARDA and FRED programs and projects, as well as other activities of the Department of Regional Economic Expansion, and other federal and provincial bodies. It is important to avoid duplication and fragmentation. Thus under the Rural Development Credit Agency proposed by the Task Force would come joint federal-provincial reviews of existing programs especially insofar as they relate to farm credit, with the Agency attempting to co-ordinate and to fill gaps in existing programs. Farmers who receive credit under an Agency program would be expected to graduate to the commercial program of the Federal-Provincial Agricultural Credit Board when their business operations and management skills had been developed sufficiently.

## RECOMMENDATIONS

1. A Federal-Provincial Agricultural Credit Board should be created, with membership from, and responsibility to the Federal and provincial governments. Participants in the Board on behalf of the Federal Government should be responsible to the Minister of Agricultural Industry. (See Chapter 11)

2. The Board should develop and take responsibility for a joint federal-provincial credit system for commercial farmers. Under this system the Federal Government would provide 75 per cent of the required capital funds and pay one-half of the administration costs; the provinces should provide the remaining 25 per cent of the required capital funds and pay one-half of the administration costs. The provincial governments should be directly responsible for the administration of the proposed credit programs and the respective provinces should guarantee one-half of any capital losses incurred by the Federal government in the operation of the credit program in that province. The overall policy, operating guidelines and administrative procedures should be developed jointly by the Federal and provincial governments. The existing federal and provincial credit institutions should be modified as necessary and incorporated into the proposed joint Federal-provincial credit system.

3. The Federal-Provincial Agricultural Credit Board should proceed to develop an insured mortgage credit program with the objective of inducing commercial lending institutions to enter the farm credit field.

4. The joint Federal-Provincial Agricultural Credit Board should assume the responsibility for the development of a "guarantee against loss" type of lending program such as that which now exists under the Farm Improvement Loans Act.

5. The administration and responsibility for the Veterans' Land Act credit program should be transferred to, and merged with, the proposed joint Federal-Provincial Agricultural Credit Board.

6. The Farm Improvement Loans Act should be discontinued and the functions now performed by the F.I.L.A. transferred to, and become the responsibility of, the proposed Federal-Provincial Agricultural Credit Board.

7. The commercial banks should continue to be primarily responsible for the provision of operating credit to farmers and the banks should:

(a) develop strong agricultural departments,

(b) place a greater emphasis on "farm management loans" as opposed to the traditional "security" approach to farm lending,

(c) integrate as closely as possible with government mortgage credit programs,

(d) establish loser links with farm management extension agencies.

8. Agricultural extension departments should provide continuing short courses for farmers on topics relating to the use and management of credit.

9. The proposed CANFARM (i.e. electronic data processing of farm records) program should be instituted and developed as rapidly as possible.

10. Insofar as possible governments should avoid the subsidization of interest rates. If, for a special reason, interest rates are to be subsidized, the loaning agency should attempt to ensure that there is no direct or adverse effect on the commercial lending institutions involved in the field of farm credit. If subsidized interest rates are used, the cost of the subsidy should be borne entirely by the respective provinces.

11. Governments, both Federal and Provincial, should press for all interest charges to be expressed as simple interest rates.

12. As a special subsidiary to the Federal-Provincial Agricultural Credit Board, a Rural Development Credit Agency should be created. The Agency's attention should be devoted entirely to providing credit to non-commercial low-income farmers. Its operation should be flexible—in some cases co-ordinating, in others filling gaps—in order to ensure that there is a minimum of duplication and omission among existing programs relating to the poverty sector in agriculture. The Agency should count as its successes, those loans and assistance which result in a farmer graduating to commercial credit terms.

## APPENDIX A

# NATIONAL CO-OPERATIVE CREDIT SYSTEM

The following description of a possible Co-operative Credit System in Canada is presented in order to promote a better understanding of how such a system would function. While this system operates in the United States, it is unknown in Canada and unfamiliar to most Canadians. For this reason the Task Force has gone into some detail in this Appendix to indicate how such a system might be adapted to Canadian conditions.

Now let us examine the various components of the proposed system. There would be two main organizations: The Agricultural Co-operative Credit Organization and The Rural Development Credit Agency (See Figure 1).

### *The Agricultural Co-operative Credit Organization*

The Agricultural Co-operative Credit Board would be comprised of seven regional or provincial representatives appointed by the Federal Government from among persons nominated by the provincial or regional boards, plus two additional members at large appointed by the Federal Government. The Board's primary responsibility would be to develop policies for the commercial sector of the agricultural industry.

The province or region would be divided into appropriate credit areas—a local co-operative credit office would be located in each credit area. The local office would have a credit manager and field staff qualified to carry out loan appraisals and to undertake all responsibilities relating to the operations and activities of the local credit association. In addition, it would be feasible to have a local co-operative credit committee whose job it would be to assist the credit manager in screening applications for loans.

The provincial or regional agricultural co-operative credit board would be established as follows:

(a) one elected representative from each of the local co-operative credit associations.

(b) four associate-directors appointed by the respective province or region—the associate directors would act in an advisory capacity and would not have a vote on the board.

Each borrower from the Agricultural Co-operative Credit Organization would be expected to buy a share in the organization equal to 5 per cent of the value of his loan. This would be known as Class B stock. Should a borrower pay out his loan and retain his stock then after two years his stock would revert to Class A stock which would not have voting privileges but would have the same rights to dividends as the Class B stock.

The interest rate would be set at a level sufficient to cover:

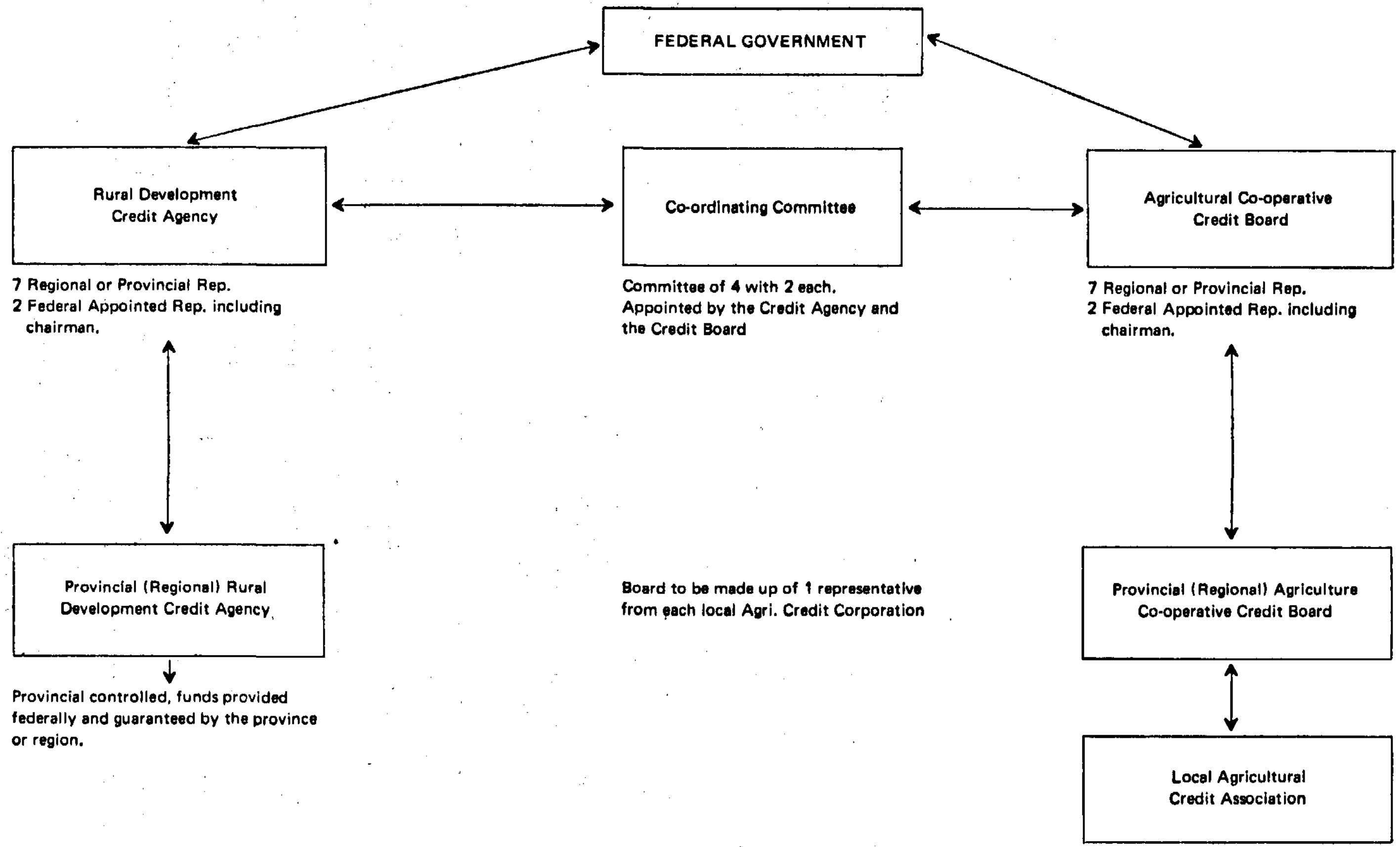
(i) the cost of loan money,

(ii) the operating costs of the organization,

(iii) reserve for losses,

(iv) provide a margin for earnings.

FIGURE 1 PROPOSED AGRICULTURAL CREDIT SYSTEM FOR CANADA




1. A Chairman appointed by the provincial or regional government.
2. Four members appointed by the province or region.
3. Four members appointed by the Federal Government.

The funds required by the organization for loaning purposes would be raised through a fiscal agent appointed by the Federal Government to act on behalf of the Agricultural Co-operative Credit Organization.

It is assumed that capital stock required by the organization would be provided in the initial stages by the Federal Government. Once the associations build up their own reserves, the organization would begin to retire the government capital stock. A definite repayment schedule would be set up to allow the organization to repay all government funds borrowed and would at the end of some specified period become an independent agency.

Establishment of the proposed credit system would eliminate the need for the Federal Farm Credit Corporation and the provincial farm credit institutions as such. However, the present staff of the Federal Farm Credit Corporation and the provincial credit institutions possess the type of training and experience required by the proposed Agricultural Co-operative Credit system and the Rural Development Credit Agency. Not only that, but because of their very nature and past operational experience, the Federal Farm Credit Corporation and the provincial farm credit institutions could be readily adapted to, or absorbed into, the proposed new credit system.

The local co-operative credit associations would present an excellent vehible for the granting and administration of loans, the provincial (or regional) programs among the commercial farmers. The provincial government extension agencies would have a natural focus for their farm management extension programs.

While the local co-operative credit associations would be directly responsible for the granting and administration of loans, the provincial (or regional) credit boards would be responsible for the development of policy, regulations and operating guidelines (e.g. loan limits, loan-to-security ratios, etc.) for the local co-operative credit associations. The provincial or regional credit policies would of course, be consistent with national policies and guidelines set by the Agricultural Co-operative Credit Board.

### *The Rural Development Credit Agency*

The proposed Rural Development Credit Agency would focus on the credit and management needs of low-income or sub-commercial farmers. The Agency should be developed and operated under a joint federal-provincial arrangement whereby the Federal Government would supply the loanable funds and pay half the operating expenses. The province (region) would guarantee 100 per cent of any losses incurred and would pay half the operating expenses.

The administration and lending operations of the Agency would be the responsibility of the respective provinces or regions involved.

Seven provincial or regional credit agencies would be established under the proposed Rural Development Credit Agency. The Rural Development Credit Agency itself would be comprised of:

(a) seven members appointed by the Federal Government from among representatives nominated by the respective provincial or regional agencies,

(b) two members at large appointed by the Federal Government, one of whom would be designated as chairman of the Credit Agency.

The Agency would report directly to the Federal Government.

The respective provincial or regional agencies would be comprised of the following:

(a) a chairman appointed by the province or region,

(b) three members appointed by the province or region,

(c) three members appointed by the Federal Government.

The provinces or regions would maintain close liaison with each other and the Federal Government through the national Agency. Policies applicable to the particular province or region would be developed by the respective provincial or regional credit agency.[1]

The primary objective of the Rural Development Credit Agency would be to develop a credit system which would supply credit on suitable terms and conditions to small and low-income farmers who have no other source of adequate financing available to them. Both long-term and production credit would be made available to farmers qualifying for loans under the Agency.

The program must be co-ordinated with other policies designed to develop and rationalize the structure of agriculture and rural services. The program should be designed explicitly to assist those who have the potential to do so, to improve their farm business and their net income, by making possible the exploitation of every potential source of income available and to provide the means through which such persons could improve their skills and technical ability. This could include part-time farming.

It should be emphasized that credit alone will not accomplish the above objective, but credit is an indispensable part of the package of policies required for the development of low-income farmers and rural areas.

In order that the long-term objectives of the program could be met and the program kept under control, the borrowers would need to be willing to provide extraordinary security for these extraordinary services. For example, the agency might require an option to purchase the land upon the retirement of the borrower (in addition to the mortgage) so that small uneconomic units could not continue as such. The loan contract could require a specific level of performance on the part of the borrower. In providing loans to farmers, intensive pre-loan and post-loan management advisory services would be a required part of the credit policy.

The selection, training and development of staff—and the development of management and supervisory philosophy—required to implement and administer such a program would necessarily be different from that of an agency developed for the specific purpose of supplying credit to commercial farmers on commercial terms. Nevertheless, both the Agricultural Co-operative Credit Board and the Rural Development Credit Agency would have much to learn from each other. There would be a need for a high degree of co-ordination between the two agencies, which should be promoted by the Co-ordinating Committee, given a central plan in Figure 1. Many of the farmers who

[1] It should be noted that this arrangement has worked very well for crop insurance and there appears to be no reason why it would not apply equally well to credit.

originally received credit under the Rural Development Credit Agency *would be expected to graduate to the Agricultural Co-operative Credit System once their business operations and management skills were developed sufficiently to qualify for commercial status.*

The provincial government extension and ARDA-FRED agencies would also have the opportunity to make an effective use of credit as an instrument for farm development programs. Intensive management training programs and supervision could be provided along with the necessary credit to the low-income or sub-commercial farm units. It is recommended that the interest rates charged by the Rural Development Credit Agency be set at the same level as that for the commercial credit system. If any element of subsidy is to be involved in this program, it should be in the form of management training programs and credit advisors who would work very closely with the farmers who obtained credit from the Rural Development Credit Agency.

It should be emphasized that a very close working relationship would need to be established between the proposed Rural Development Credit Agency and ARDA-FRED type programs. The Rural Development Credit Agency is designed to service the credit needs of the sub-commercial or low-income farmers. Appropriate changes would have to be made in the present ARDA-FRED legislation to permit the proposed Credit Agency to fulfill its role consistent with the general objectives and activities of the present ARDA-FRED type programs.

The Rural Development Credit program with its emphasis on the development of low-income farmers would complement the several manpower programs which have been developed to assist rural persons to move from agriculture to other occupations, e.g. mobility grants and job placement agencies.

# Appendix B

## STATISTICS RELEVANT TO AGRICULTURAL CREDIT IN CANADA

### Table B. 1

Average Farm Size Measured in Acres, by Provinces and Canada

| | 1911 | | 1931 | | 1961 | | 1966 | |
|---|---|---|---|---|---|---|---|---|
| | Total Acres/ Farm | Improved Acres/ Farm | Total Acres/ Farm | Improved Acres/ Farm | Total Acres/ Farm | Improved Acres/ Farm | Total Acres/ Farm | Improved Acres/ Farm |
| Newfoundland | — | — | — | — | 31 | 12 | 29 | 12 |
| Prince Edward Island | 85 | 54 | 93 | 60 | 131 | 79 | 146 | 90 |
| Nova Scotia | 100 | 24 | 109 | 21 | 178 | 40 | 193 | 50 |
| New Brunswick | 120 | 38 | 122 | 39 | 187 | 62 | 208 | 73 |
| Quebec | 104 | 55 | 127 | 66 | 148 | 82 | 161 | 95 |
| Ontario | 105 | 64 | 119 | 69 | 153 | 99 | 162 | 109 |
| Manitoba | 279 | 155 | 279 | 157 | 420 | 276 | 480 | 313 |
| Saskatchewan | 296 | 125 | 408 | 246 | 686 | 459 | 763 | 530 |
| Alberta | 287 | 72 | 400 | 182 | 645 | 345 | 706 | 392 |
| British Columbia | 150 | 28 | 136 | 27 | 226 | 65 | 277 | 85 |
| Canada | 160 | 71 | 224 | 118 | 359 | 215 | 404 | 251 |

TABLE B. 2

Distribution of Farms According to Improved Acres 1966

| Improved Acres/Farm | Nfld. | P.E.I. | N.S. | N.B. | Que. | Ont. | Man. | Sask. | Alta. | B.C. | Can. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (Per Cent) | | | | | |
| Under 3 acres | 31.0 | 1.4 | 7.2 | 3.7 | 1.1 | 2.7 | 2.0 | .8 | 1.6 | 10.0 | 2.3 |
| 3– 9 acres | 39.1 | 2.6 | 11.4 | 5.5 | 2.1 | 4.7 | 3.2 | .6 | 1.7 | 23.4 | 3.9 |
| 10– 69 acres | 27.2 | 40.9 | 57.9 | 52.4 | 34.6 | 27.0 | 9.7 | 2.2 | 7.0 | 41.5 | 20.7 |
| 70– 129 acres | 1.9 | 36.3 | 16.1 | 24.4 | 40.7 | 35.2 | 10.6 | 4.9 | 9.9 | 10.2 | 22.0 |
| 130– 179 acres | .4 | 10.9 | 4.0 | 7.0 | 13.1 | 14.6 | 11.0 | 7.5 | 12.5 | 4.3 | 11.3 |
| 180– 239 acres | .1 | 4.6 | 2.0 | 3.6 | 5.5 | 8.5 | 9.7 | 6.1 | 9.5 | 2.7 | 7.1 |
| 240– 399 acres | .1 | 2.7 | 1.2 | 2.4 | 2.6 | 5.8 | 25.8 | 23.5 | 24.1 | 3.8 | 13.2 |
| 400– 599 acres | .1 | .4 | .2 | .5 | .3 | .9 | 14.2 | 18.2 | 13.4 | 1.8 | 7.5 |
| 560– 759 acres | .1 | .1 | .2 | .1 | .1 | .3 | 7.9 | 15.4 | 8.8 | 1.0 | 5.4 |
| 760–1,119 acres | — | .1 | .1 | .1 | — | — | 4.3 | 13.0 | 6.6 | .6 | 4.1 |
| 1,120–1,599 acres | — | — | — | — | — | — | 1.4 | 5.4 | 2.9 | .3 | 1.7 |
| 1,600 acres and over | — | — | — | — | — | — | .5 | 2.4 | 2.0 | .3 | .9 |
| Total % | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

TABLE B. 3

Capital Investment in Canadian Farms Classified by Province, 1961 and 1966

| Province | 1961 | | | | 1966 | | | |
|---|---|---|---|---|---|---|---|---|
| | No. of Farms | | Aver. Capital/Farm | | No. of Farms | | Aver. Capital/Farm | |
| | Census | Commercial | Census | Commercial | Census | Commercial | Census | Commercial |
| | | | (dollars) | | | | (dollars) | |
| Newfoundland | 1,752 | 281 | 13,663 | 33,219 | 1,709 | 301 | 17,761 | 47,851 |
| Prince Edward Island | 7,335 | 2,886 | 13,128 | 19,951 | 6,357 | 3,328 | 20,233 | 28,813 |
| Nova Scotia | 12,518 | 3,016 | 11,199 | 23,373 | 9,621 | 2,867 | 17,061 | 32,450 |
| New Brunswick | 11,786 | 3,073 | 12,334 | 22,866 | 8,706 | 2,938 | 17,318 | 30,839 |
| Quebec | 95,777 | 38,927 | 16,925 | 24,202 | 80,294 | 41,961 | 23,548 | 31,084 |
| Ontario | 121,333 | 69,667 | 30,922 | 40,500 | 109,887 | 70,724 | 44,401 | 56,287 |
| Manitoba | 43,306 | 24,286 | 26,839 | 37,337 | 39,747 | 27,372 | 43,934 | 57,440 |
| Saskatchewan | 93,924 | 63,546 | 30,472 | 37,984 | 85,686 | 69,962 | 57,109 | 65,424 |
| Alberta | 73,212 | 45,203 | 37,118 | 51,223 | 69,411 | 48,971 | 60,734 | 76,262 |
| British Columbia | 19,934 | 8,150 | 32,858 | 54,422 | 19,085 | 8,407 | 49,953 | 78,111 |
| Canada | 480,903 | 259,037 | 27,389 | 38,659 | 430,522 | 276,835 | 44,258 | 58,187 |

TABLE B. 4

Estimated Farm Credit Extended 1960 to 1967

| Source and Term of Credit | Estimated Farm Credit Extended 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967[1] | Per cent of credit extended 1967 |
|---|---|---|---|---|---|---|---|---|---|
| | (millions of dollars) | | | | | | | | (per cent) |
| *Long term over (10 years)* | | | | | | | | | |
| Farm Credit Corporation | 52.3 | 68.9 | 78.4 | 96.3 | 139.8 | 201.7 | 234.4 | 251.2 | 11.5 |
| Veterans' Land Act | 19.4 | 15.2 | 15.7 | 18.2 | 15.9 | 21.1 | 33.6 | 31.3 | 1.4 |
| Provincial government agencies | 37.0 | 38.1 | 39.0 | 40.4 | 49.4 | 47.8 | 51.4 | 63.6 | 2.9 |
| Private individuals | 7.0 | 8.0 | 8.0 | 9.0 | 10.0 | 11.0 | 12.0 | 16.0 | 0.7 |
| Insurance, trust and loan companies | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 | 8.0 | 10.0 | 13.0 | 0.6 |
| Treasury Branches (Alberta) | 1.6 | 1.6 | 1.4 | 1.2 | 0.3 | 0.6 | 0.8 | 0.8 | 0.0 |
| Railway and land companies | 0.4 | 0.4 | 0.2 | | | | | | |
| Total long term | 120.7 | 136.2 | 147.7 | 171.1 | 222.4 | 290.2 | 342.2 | 375.9 | 17.1 |
| *Intermediate term (18 months to 10 years)* | | | | | | | | | |
| Banks (FILA) | 101.9 | 108.1 | 118.1 | 136.0 | 150.8 | 202.7 | 212.8 | 203.7 | 9.3 |
| Private individuals | 75.0 | 78.0 | 79.0 | 85.0 | 95.0 | 108.0 | 120.0 | 134.0 | 6.1 |
| Supply company finance | 29.0 | 27.0 | 28.0 | 30.0 | 32.0 | 34.0 | 38.0 | 43.0 | 1.9 |
| Insurance, trust and loan companies | 0.5 | 1.0 | 2.0 | 2.0 | 3.0 | 3.0 | 4.0 | 4.0 | 0.2 |
| Industrial Development Bank | | 0.2 | 0.4 | 4.8 | 5.9 | 7.1 | 6.9 | 6.1 | 0.3 |
| Credit Unions | 4.0 | 7.0 | 20.0 | 37.0 | 51.0 | 61.0 | 74.0 | 90.0 | 4.1 |
| Municipal (Ontario T.D.A.) | 1.3 | 1.3 | 1.4 | 1.6 | 1.9 | 1.8 | 2.2 | 2.5 | 0.1 |
| Finance companies (cars and trucks) | 8.0 | 9.0 | 11.0 | 12.0 | 14.0 | 15.0 | 15.0 | 16.0 | 0.7 |
| Treasury Branches (Alberta) | 0.3 | 0.3 | 0.4 | 0.2 | 0.3 | | | | |
| Sedco (Saskatchewan) | | | | | 0.1 | 0.4 | 0.5 | 1.0 | 0.0 |
| Total intermediate term | 220.0 | 231.9 | 260.3 | 308.6 | 354.0 | 433.0 | 473.4 | 500.3 | 23.0 |
| *Short term (up to 18 months)* | | | | | | | | | |
| Banks (non FILA) | 302.0 | 363.0 | 428.0 | 491.0 | 541.0 | 574.0 | 618.0 | 733.0 | 33.6 |
| Supply company finance | 237.0 | 245.0 | 256.0 | 271.0 | 287.0 | 307.0 | 311.0 | 348.0 | 16.0 |
| Credit Unions | 51.0 | 63.0 | 72.0 | 75.0 | 75.0 | 72.0 | 70.0 | 69.0 | 3.2 |
| Finance companies (household and personal) | 6.0 | 8.0 | 9.0 | 10.0 | 12.0 | 13.0 | 14.0 | 15.0 | 0.7 |
| Dealers, stores, etc. | 25.0 | 24.0 | 22.5 | 21.0 | 19.5 | 18.0 | 19.5 | 15.0 | 0.7 |
| Private individuals | 55.0 | 62.0 | 71.0 | 77.0 | 85.0 | 90.0 | 95.0 | 110.0 | 5.0 |
| Treasury Branches (Alberta) | 8.0 | 9.5 | 12.0 | 14.2 | 12.5 | 13.5 | 12.7 | 13.1 | 0.6 |
| Total short term | 684.0 | 774.5 | 870.5 | 959.2 | 1,032.0 | 1,087.5 | 1,140.2 | 1,303.1 | 59.8 |
| Total all credit | 1,024.7 | 1,142.6 | 1,278.5 | 1,438.9 | 1,608.4 | 1,810.7 | 1,955.8 | 2,179.3 | 99.9 |

[1]Preliminary

SOURCE: R. S. Rust, Farm Credit Reviewed, *Canadian Farm Economics*, Vol. 3, No. 4, October 1968.

TABLE B. 5

Estimated Farm Credit Outstanding 1960 to 1967

| Source and Term of Credit | Estimated Farm Credit Outstanding 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967[1] | Estimated interest charge 1967 | Estimated average interest rate | Outstanding as a per cent of 1967 total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (millions of dollars) | | | | | | | | | (per cent) | |
| *Long term (over 10 years)* | | | | | | | | | | | |
| Farm Credit Corporation | 158.4 | 212.1 | 270.3 | 341.2 | 443.6 | 586.4 | 748.5 | 915.8 | 47.6 | 5.2 | 23.7 |
| Veterans' Land Act | 91.2 | 96.6 | 102.8 | 110.8 | 114.6 | 124.4 | 147.3 | 172.3 | 8.6 | 5.0 | 4.5 |
| Provincial government agencies | 160.0 | 182.7 | 204.0 | 228.3 | 254.0 | 275.9 | 302.2 | 332.3 | 12.6 | 3.8 | 8.6 |
| Private individuals | 31.0 | 33.0 | 34.0 | 36.0 | 40.0 | 45.0 | 61.0 | 65.0 | 3.3 | 5.1 | 1.7 |
| Insurance, trust and loan companies | 12.0 | 15.0 | 19.0 | 25.0 | 30.0 | 38.0 | 50.0 | 56.0 | 4.5 | 8.0 | 1.5 |
| Treasury Branches (Alberta) | 1.2 | 1.3 | 1.3 | 1.3 | 0.9 | 1.3 | 0.7 | 0.9 | 0.1 | 7.0 | — |
| Railway and land companies | 1.6 | 1.3 | 0.9 | 0.6 | 0.1 | | | | | | |
| Total long term | 455.4 | 542.0 | 632.3 | 743.2 | 883.2 | 1,071.0 | 1,309.7 | 1,542.3 | 76.7 | 5.0 | 40.0 |
| *Intermediate term (18 months to 10 years)* | | | | | | | | | | | |
| Banks (FILA) | 178.1 | 193.8 | 212.6 | 241.3 | 273.1 | 340.9 | 399.1 | 432.6 | 21.6 | 5.0 | 11.2 |
| Private individuals | 300 0 | 312.0 | 319.0 | 342.0 | 382.0 | 432.0 | 483.0 | 538.0 | 27.4 | 5.1 | 13.9 |
| Supply company finance | 78.0 | 81.0 | 85.0 | 91.0 | 96.0 | 104.0 | 116.0 | 131.0 | 23.6 | 10.0 | 3.4 |
| Insurance, trust and loan companies | 4.0 | 5.0 | 7.0 | 7.0 | 10.0 | 12.0 | 16.0 | 19.0 | 1.6 | 8.5 | 0.5 |
| Industrial Development Bank | | 0.2 | 4.2 | 8.0 | 12.0 | 18.0 | 20.0 | 22.0 | 1.7 | 7.7 | 0.6 |
| Credit Unions | 5.0 | 15.0 | 37.0 | 61.0 | 84.0 | 91.0 | 103.0 | 120.0 | 10.8 | 9.0 | 3.1 |
| Municipal (Ontario T.D.A.) | 4.2 | 4.9 | 5.6 | 6.4 | 7.4 | 8.1 | 9.0 | 10.0 | 0.4 | 4.0 | 0.3 |
| Finance companies (cars and trucks) | 10.0 | 12.0 | 14.0 | 16.0 | 18.0 | 20.0 | 20.0 | 23.0 | 2.8 | 12.0 | 0.6 |
| Treasury Branches (Alberta) | 0.4 | 0.6 | 0.4 | 0.2 | 0.3 | 1.7 | 1.4 | 1.9 | 0.1 | 6.0 | — |
| Sedco (Saskatchewan) | | | | | 0.1 | 0.4 | 0.6 | 1.3 | 0.1 | 7.5 | — |
| Total intermediate term | 579.7 | 624.5 | 684.8 | 772.9 | 882.9 | 1,028.1 | 1,168.1 | 1,298.8 | 90.1 | 6.9 | 33.6 |

TABLE B. 5 (*Concluded*)

Estimated Farm Credit Outstanding 1960 to 1967 (*Concluded*)

| Source and Term of Credit | Estimated Farm Credit Outstanding | | | | | | | | Estimated interest charge 1967 | Estimated average interest rate | Out-standing as a per cent of 1967 total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967[1] | | | |
| | (millions of dollars) | | | | | | | | | (per cent) | |
| *Short term (up to 18 months)* | | | | | | | | | | | |
| Banks (non FILA) | 241.5 | 290.7 | 343.4 | 392.7 | 433.0 | 459.5 | 494.7 | 586.6 | 44.0 | 7.5[2] | 15.2 |
| Supply company finance | 178.0 | 184.0 | 192.0 | 203.0 | 215.0 | 230.0 | 243.0 | 261.0 | 31.3 | 12.0 | 6.8 |
| Credit Unions | 39.0 | 55.0 | 58.0 | 60.0 | 60.0 | 58.0 | 56.0 | 55.0 | 5.5 | 10.0 | 1.4 |
| Finance companies (household and personal) | 5.0 | 6.0 | 7.0 | 8.0 | 9.0 | 10.0 | 11.0 | 12.0 | 1.9 | 16.0 | 0.3 |
| Dealers (stores, etc,) | 8.5 | 8.0 | 7.5 | 7.0 | 6.5 | 6.0 | 5.5 | 5.0 | 0.4 | 7.0 | 0.1 |
| Private individuals | 44.0 | 50.0 | 57.0 | 63.0 | 68.0 | 72.0 | 76.0 | 88.0 | 5.3 | 6.0 | 2.3 |
| Treasury Branches (Alberta) | 6.0 | 6.3 | 8.0 | 10.1 | 9.3 | 11.0 | 9.6 | 9.0 | 0.7 | 7.5 | 0.2 |
| Unpaid taxes[3] | 1.8 | 1.9 | 1.9 | 2.0 | 2.0 | 2.1 | 2.1 | 2.2 | 0.2 | 8.0 | 0.1 |
| Total short term | 523.8 | 601.9 | 674.8 | 745.8 | 802.8 | 848.6 | 897.9 | 1,018.8 | 89.3 | 8.8 | 26.4 |
| Total all credit | 1,558.9 | 1,768.4 | 1,991.9 | 2,261.9 | 2,568.9 | 2,947.7 | 3,375.7 | 3,859.9 | 256.1 | 6.6 | 100.0 |

[1]Preliminary.

[2]Reflects a shift during 1966 and 1967 to personal loans.

[3]Represents 1.5 per cent of total farm taxes. There is some question as to whether this item should be included.

SOURCE: R. S. Rust, Farm Credit Reviewed, *Canadian Farm Economics*, Vol. 3, No. 4, October 1968.

TABLE B. 6

Farm Credit Corporation: Loans Disbursed and Outstanding by Fiscal Years to March 31, 1967

| Fiscal Year | Loans Disbursed | | Cumulative Total of Loans Disbursed | | Principal of Loans Outstanding End of Year | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| | | (dollars) | | (dollars) | | (dollars) |
| 1929–1930 | 1,270 | 2,630,377 | 1,270 | 2,630,377 | 1,270 | 2,613,671 |
| 1930–1931 | 2,102 | 3,517,489 | 3,372 | 6,147,866 | 3,109 | 6,033,805 |
| 1931–1932 | 468 | 1,996,344 | 3,840 | 8,144,210 | 3,492 | 7,878,741 |
| 1932–1933 | 655 | 1,276,114 | 4,495 | 9,420,324 | 4,394 | 8,927,985 |
| 1933–1934 | 307 | 558,630 | 4,802 | 9,978,954 | 4,652 | 9,125,513 |
| 1934–1935 | 352 | 547,207 | 5,154 | 10,526,161 | 4,866 | 9,332,329 |
| 1935–1936 | 3,593 | 7,423,779 | 8,747 | 17,949,940 | 8,322 | 16,178,516 |
| 1936–1937 | 5,385 | 11,074,156 | 14,132 | 29,024,096 | 13,588 | 28,506,308 |
| 1937–1938 | 2,523 | 5,264,308 | 16,655 | 34,288,404 | 15,829 | 30,336,749 |
| 1938–1939 | 2,232 | 4,338,843 | 18,887 | 38,627,247 | 17,747 | 33,065,470 |
| 1939–1940 | 2,361 | 4,342,662 | 21,248 | 42,969,909 | 19,756 | 35,411,729 |
| 1940–1941 | 1,425 | 2,727,507 | 22,673 | 45,697,416 | 20,782 | 35,947,883 |
| 1941–1942 | 1,112 | 2,133,514 | 23,785 | 47,830,930 | 21,333 | 35,256,188 |
| 1942–1943 | 642 | 1,320,256 | 24,427 | 49,151,186 | 21,020 | 33,120,484 |
| 1943–1944 | 590 | 1,336,103 | 25,017 | 50,487,289 | 19,447 | 28,716,696 |
| 1944–1945 | 695 | 1,661,410 | 25,712 | 52,148,699 | 16,929 | 24,199,388 |
| 1945–1946 | 877 | 2,121,207 | 26,589 | 54,269,906 | 15,721 | 22,513,863 |
| 1946–1947 | 1,286 | 3,273,811 | 27,875 | 57,543,717 | 15,032 | 22,119,005 |
| 1947–1948 | 1,218 | 3,185,240 | 29,093 | 60,728,957 | 14,790 | 22,327,258 |
| 1948–1949 | 1,751 | 4,595,036 | 30,844 | 65,323,993 | 15,006 | 23,890,389 |
| 1949–1950 | 1,841 | 4,942,930 | 32,685 | 70,266,923 | 15,566 | 25,821,426 |
| 1950–1951 | 1,800 | 4,693,079 | 34,485 | 74,960,002 | 16,184 | 27,802,774 |
| 1951–1952 | 1,508 | 4,469,091 | 35,993 | 79,429,093 | 16,497 | 29,238,810 |
| 1952–1953 | 1,514 | 5,118,559 | 37,507 | 84,547,652 | 16,667 | 31,005,250 |
| 1953–1954 | 1,908 | 7,000,540 | 39,415 | 91,548,192 | 17,267 | 34,591,645 |
| 1954–1955 | 2,137 | 8,207,003 | 41,552 | 99,755,195 | 18,111 | 39,455,931 |
| 1955–1956 | 2,087 | 8,254,323 | 43,639 | 108,009,518 | 18,931 | 44,075,268 |
| 1956–1957 | 2,826 | 13,183,992 | 46,465 | 121,193,510 | 20,372 | 52,730,198 |
| 1957–1958 | 3,500 | 19,343,560 | 49,965 | 140,537,070 | 22,494 | 67,112,206 |
| 1958–1959 | 4,659 | 28,368,265 | 54,624 | 168,905,335 | 25,471 | 89,301,022 |
| 1959–1960 | 5,169 | 35,840,882 | 59,793 | 204,746,217 | 28,453 | 117,233,247 |
| 1960–1961 | 5,162 | 52,305,266 | 64,955 | 257,051,483 | 31,054 | 158,447,392 |
| 1961–1962 | 6,027 | 68,886,875 | 70,982 | 325,938,358 | 34,175 | 212,138,307 |
| 1962–1963 | 6,453 | 78,428,094 | 77,435 | 404,366,452 | 37,462 | 270,277,265 |
| 1963–1964 | 7,802 | 96,315,635 | 85,237 | 500,882,087 | 41,868 | 341,169,139 |
| 1964–1965 | 9,845 | 139,750,639 | 95,082 | 640,432,726 | 47,404 | 443,560,275 |
| 1965–1966 | 11,049 | 201,687,642 | 106,131 | 842,120,368 | 52,932 | 586,356,486 |
| 1966–1967 | 11,632 | 234,447,269 | 117,763 | 1,076,567,637 | 58,258 | 748,532,844 |

SOURCE: *1966–67 Annual Report*, Farm Credit Corporation.

TABLE B. 7

Average Amount of Loan Disbursed by the Canadian Farm Loan Board (1929–30 to 1959) and the Farm Credit Corporation (1959 to 1966–67)

| Year | Average Amount of Loan Disbursed | Year | Average Amount of Loan Disbursed |
|---|---|---|---|
| | (dollars) | | (dollars) |
| 1929–30 | 2,071 | 1949–50 | 2,685 |
| 1930–31 | 1,673 | 1950–51 | 2,607 |
| 1931–32 | 4,266 | 1951–52 | 2,964 |
| 1932–33 | 1,948 | 1952–53 | 3,381 |
| 1933–34 | 1,820 | 1953–54 | 3,669 |
| 1934–35 | 1,555 | 1954–55 | 3,840 |
| 1935–36 | 2,066 | 1955–56 | 3,955 |
| 1936–37 | 2,056 | 1956–57 | 4,665 |
| 1937–38 | 2,086 | 1957–58 | 5,527 |
| 1938–39 | 1,944 | 1958–59 | 6,089 |
| 1939–40 | 1,839 | 1959–60 | 6,934 |
| 1940–41 | 1,914 | 1960–61 | 10,133 |
| 1941–42 | 1,919 | 1961–62 | 11,430 |
| 1942–43 | 2,056 | 1962–63 | 12,154 |
| 1943–44 | 2,265 | 1963–64 | 12,345 |
| 1944–45 | 2,390 | 1964–65 | 14,195 |
| 1945–46 | 2,419 | 1965–66 | 18,254 |
| 1946–47 | 2,546 | 1966–67 | 20,155 |
| 1948–49 | 2,624 | | |

SOURCE: Calculated from data in the *1966–67 Annual Report*, Farm Credit Corporation.

TABLE B. 8

Distribution of Approved Loan Funds by Purpose, Farm Credit Corporation, Canada, 1959–60 to 1966–67

| Year | Land Purchase | Improvements | Payment of Land-Secured Debt | Other Debts | Livestock | Equipment | Sundry | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | (percent) | | | | |
| 1959–60 | 36.7 | 6.9 | 34.5 | 14.2 | 1.6 | 2.9 | 3.2 | 100.0 |
| 1960–61 | 53.8 | 6.1 | 25.4 | 9.3 | 2.5 | 1.5 | 1.4 | 100.0 |
| 1961–62 | 57.8 | 7.1 | 22.0 | 6.7 | 3.2 | 1.3 | 1.9 | 100.0 |
| 1962–63 | 55.5 | 8.5 | 23.2 | 7.1 | 3.1 | 1.2 | 1.4 | 100.0 |
| 1963–64 | 55.4 | 10.1 | 22.1 | 7.3 | 2.9 | 1.2 | 1.0 | 100.0 |
| 1964–65 | 54.5 | 11.7 | 18.1 | 10.3 | 2.9 | 1.2 | 1.3 | 100.0 |
| 1965–66 | 60.9 | 11.6 | 15.4 | 8.3 | 1.6 | 0.9 | 1.3 | 100.0 |
| 1966–67 | 61.2 | 13.9 | 13.5 | 7.2 | 1.3 | 1.1 | 1.8 | 100.0 |

The figures from 1964–65 to 1966–67 represent the percentage of *new* loan funds approved for each purpose.

The figures from 1959–60 to 1963–64 represent the percentage of *all* loan funds approved in the year for each purpose. That is, they include new loan funds plus old loans refinanced under new agreements.

## TABLE B. 9

### Farm Loans Disbursed by Canadian Farm Loan Board and Farm Credit Corporation, by Province, Canada, 1929–1967

| Province | Canadian Farm Loan Board | | | | | Farm Credit Corporation | | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of loans | | Amount lent | | Average Amount | Number of loans | | Amount lent | | Average Amount | Number of loans | | Amount lent | |
| | | % | $thousand | % | $ | | % | $thousand | % | $ | | % | $thousand | % |
| British Columbia | 2,699 | 4.8 | 8,751 | 4.8 | 3,242 | 2,782 | 4.5 | 52,954 | 5.9 | 19,034 | 5,481 | 4.7 | 61,706 | 5.7 |
| Alberta | 9,954 | 17.5 | 28,147 | 15.4 | 2,828 | 15,043 | 24.6 | 231,092 | 25.9 | 15,362 | 24,997 | 21.2 | 259,239 | 24.1 |
| Saskatchewan | 13,366 | 23.5 | 48,328 | 26.4 | 3,616 | 17,998 | 29.5 | 241,572 | 27.0 | 13,422 | 31,364 | 26.6 | 289,899 | 26.9 |
| Manitoba | 6,342 | 11.2 | 19,885 | 10.8 | 3,135 | 4,557 | 7.5 | 64,880 | 7.3 | 14,237 | 10,899 | 9.3 | 84,765 | 7.9 |
| Prairie Provinces | 29,662 | 52.2 | 96,360 | 52.6 | 3,249 | 37,598 | 61.6 | 537,544 | 60.2 | 14,297 | 67,260 | 57.1 | 633,903 | 58.9 |
| Ontario | 9,745 | 17.2 | 43,296 | 23.6 | 4,443 | 13,172 | 21.6 | 200,912 | 22.5 | 15,253 | 22,917 | 19.5 | 244,208 | 22.7 |
| Quebec | 9,173 | 16.1 | 22,455 | 12.3 | 2,448 | 5,469 | 9.0 | 80,414 | 9.0 | 14,704 | 14,642 | 12.4 | 102,869 | 9.6 |
| New Brunswick | 1,749 | 3.1 | 3,721 | 2.0 | 2,128 | 684 | 1.1 | 8,468 | 0.9 | 12,380 | 2,433 | 2.1 | 12,189 | 1.1 |
| Nova Scotia | | 2.9 | 3,537 | 1.9 | 2,159 | 380 | 0.6 | 4,929 | 0.6 | 12,971 | 2,018 | 1.7 | 8,466 | 0.8 |
| Prince Edward Island | 2,094 | 3.7 | 5,041 | 2.8 | 2,407 | 896 | 1.5 | 7,785 | 0.9 | 8,689 | 2,990 | 2.5 | 12,826 | 1.2 |
| Newfoundland | — | — | — | — | — | 22 | 0.1 | 401 | 0.0 | 18,227 | 22 | 0.0 | 401 | 0.0 |
| Atlantic Provinces | 5,481 | 9.7 | | 6.7 | 2,244 | 1,982 | 3.3 | 21,182 | 2.4 | 10,687 | 7,463 | 6.3 | 33,882 | 3.1 |
| Canada | 56,760 | 100.0 | 183,160 | 100.0 | 3,227 | 61,003 | 100.0 | 893,407 | 100.0 | 14,645 | 117,763 | 100.0 | 1,076,568 | 100.0 |

SOURCE: *1966-67 Annual Report*, Farm Credit Corporation.

TABLE B. 10

Veterans' Land Act: Number of New Loans and Additional Loans for Selected Years

| Fiscal Year | Full-time farming New Loans | Full-time farming Additional Loans | Full-time farming Amount Disbursed | Part-time farming New Loans | Part-time farming Additional Loans | Part-time farming Amount Disbursed |
|---|---|---|---|---|---|---|
| | (number) | (number) | ($ million) | (number) | (number) | ($ million) |
| 1943–47 | 13,094 | | 58.6 | 11,285 | | 42.6 |
| 1947–48 | 4,711 | | 19.5 | 4,258 | | 18.8 |
| 1952–53 | 1,002 | | 5.0 | 3,103 | | 14.8 |
| 1954–55 | 739 | 419 | 5.0 | 2,780 | | 15.9 |
| 1960–61 | 313 | 1,925 | 16.7 | 1,786 | | 13.8 |
| 1964–65 | 241 | 1,201 | 11.8 | 2,407 | 1,379 | 24.8 |
| 1966–67 | 269 | 2,044 | 25.8 | 4,140 | 2,690 | 52.1 |

SOURCE: Veterans' Land Act Administration

TABLE B. 11

Veterans' Land Act: Number of New Loans and Additional Loans, and Amount Disbursed to Full-Time and Part-Time Farmers, 1943 to 1966–67

| Fiscal Year | Full-time Farming New Loans | Full-time Farming Additional Loans | Full-time Farming Amount Disbursed | Part-time Farming New Loans | Part-time Farming Additional Loans | Part-time Farming Amount Disbursed |
|---|---|---|---|---|---|---|
| | (number) | | (dollars) | (number) | | (dollars) |
| 1943 to Mar. 31, 1947 | 13,094 | | 58,647,971 | 11,285 | | 42,591,989 |
| 1947–48 | 4,711 | | 19,532,597 | 4,258 | | 13,760,229 |
| 1948–49 | 2,689 | | 15,701,977 | 3,290 | | 16,325,150 |
| 1949–50 | 2,032 | | 11,278,639 | 3,318 | | 17,468,680 |
| 1950–51 | 1,261 | | 7,112,170 | 3,102 | | 16,551,122 |
| 1951–52 | 1,009 | | 5,795,996 | 2,750 | | 15,481,804 |
| 1952–53 | 1,002 | | 4,979,452 | 3,103 | | 14,834,258 |
| 1953–54 | 796 | | 4,802,338 | 3,160 | | 15,412,766 |
| 1954–55 | 739 | 419 | 5,020,934 | 2,780 | | 15,900,110 |
| 1955–56 | 580 | 709 | 5,149,627 | 2,555 | | 14,983,917 |
| 1956–57 | 471 | 698 | 4,889,063 | 1,849 | | 11,990,244 |
| 1957–58 | 403 | 731 | 5,011,862 | 1,670 | | 10,309,873 |
| 1958–59 | 443 | 830 | 5,359,000 | 1,666 | | 10,319,260 |
| 1959–60 | 321 | 710 | 6,748,619 | 1,819 | | 11,773,614 |
| 1960–61 | 313 | 1,925 | 16,668,856 | 1,786 | | 13,853,806 |
| 1961–62 | 284 | 1,067 | 11,764,611 | 2,292 | | 16,280,135 |
| 1962–63 | 263 | 1,118 | 10,593,644 | 2,994 | 1,731 | 25,599,192 |
| 1963–64 | 248 | 1,268 | 12,393,715 | 2,633 | 1,874 | 29,160,773 |
| 1964–65 | 241 | 1,201 | 10,966,374 | 2,407 | 1,379 | 24,782,688 |
| 1965–66 | 261 | 1,564 | 14,976,238 | 2,763 | 1,998 | 30,825,052 |
| 1966–67 | 269 | 2,044 | 25,774,772 | 4,140 | 2,690 | 52,071,394 |

SOURCE: Veterans' Land Act Administration.

TABLE B. 12

Veterans' Land Act: Conditional Grants and Estimated Administration Costs of Loans to Full-Time Farmers, 1964–65, 1965–66, 1966–67

| | 1964–65 | | | 1965–66 | | | 1966–67 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Conditional Grants | Administration | Total | Conditional Grants | Administration | Total | Conditional Grants | Administration | Total |
| | | | | | (dollars) | | | | |
| British Columbia | 112,888 | 38,648 | 151,536 | 112,001 | 37,642 | 149,643 | 59,324 | 42,628 | 101,952 |
| Alberta | 297,455 | 320,211 | 617,666 | 251,132 | 314,191 | 565,323 | 205,527 | 388,125 | 593,652 |
| Saskatchewan | 553,818 | 385,488 | 939,306 | 319,547 | 365,891 | 685,438 | 368,669 | 439,367 | 808,036 |
| Manitoba | 306,282 | 179,852 | 486,134 | 149,138 | 197,166 | 346,304 | 146,402 | 207,838 | 354,240 |
| Ontario | 369,093 | 135,606 | 504,699 | 343,329 | 127,688 | 471,017 | 215,248 | 116,168 | 331,416 |
| Quebec | 26,337 | 16,767 | 43,104 | 27,226 | 19,791 | 47,017 | 33,694 | 11,648 | 45,342 |
| Atlantic Region | 73,912 | 35,319 | 109,231 | 78,427 | 27,342 | 105,769 | 45,707 | 42,492 | 88,199 |
| Head Office | | 139,572 | 139,572 | | 141,065 | 141,065 | | 144,556 | 144,556 |
| Canada | 1,739,785 | 1,251,463 | 2,991,248 | 1,280,800 | 1,230,776 | 2,511,576 | 1,074,571 | 1,392,822 | 2,467,393 |

SOURCE: *Data on conditional grants supplied by V.L.A.*
Administration costs estimated from data supplied by V.L.A.

## Table B. 13

### Farm Loans Made Under the Farm Improvement Loans Act, Canada and Provinces, 1945 to 1967

| Year | British Columbia | Alberta | Saskat-chewan | Manitoba | Prairie Provinces | Ontario | Quebec | New Brunswick | Nova Scotia | Prince Edward Island | New-foundland | Atlantic Provinces | Canada |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (thousand dollars) | | | | | | | |
| 1945[1] | 66.8 | 1,250.4 | 834.5 | 537.4 | 2,662.4 | 523.5 | 112.0 | 26.4 | 23.2 | 7.4 | | 57.0 | 3,381.7 |
| 1946 | 343.7 | 3,388.1 | 3,140.2 | 1,397.5 | 7,925.8 | 1,369.4 | 146.6 | 34.5 | 55.6 | 4.9 | | 95.0 | 9,880.6 |
| 1947 | 444.1 | 6,537.9 | 6,464.3 | 2,518.4 | 15,520.5 | 1,845.8 | 246.4 | 46.4 | 46.4 | 11.4 | | 104.0 | 18,160.8 |
| 1948 | 747.3 | 10,634.4 | 10,505.5 | 4,532.3 | 25,672.2 | 2,260.0 | 447.4 | 85.6 | 72.6 | 46.0 | | 204.2 | 29,331.1 |
| 1949 | 1,358.7 | 14,659.5 | 16,497.4 | 7,242.3 | 38,399.2 | 4,260.5 | 1,341.9 | 182.3 | 132.5 | 204.1 | | 518.8 | 45,879.1 |
| 1950 | 1,710.0 | 18,508.7 | 22,557.4 | 8,264.0 | 49,330.1 | 8,043.8 | 3,097.2 | 358.8 | 274.9 | 605.5 | .9 | 1,240.2 | 63,421.4 |
| 1951 | 2,070.5 | 23,240.8 | 27,876.9 | 11,370.8 | 62,488.5 | 12,178.5 | 6,125.6 | 696.8 | 619.7 | 1,144.3 | 2.4 | 2,463.2 | 85,326.2 |
| 1952 | 2,213.8 | 26,495.2 | 35,365.3 | 11,225.4 | 73,085.9 | 12,245.8 | 7,128.8 | 926.5 | 852.3 | 1,756.1 | 49.9 | 3,584.8 | 98,259.2 |
| 1953 | 2,605.4 | 26,207.4 | 33,309.5 | 10,639.2 | 70,156.1 | 12,971.3 | 8,722.2 | 926.0 | 945.9 | 1,497.6 | 68.3 | 3,437.7 | 97,892.8 |
| 1954 | 2,285.8 | 15,055.4 | 14,960.4 | 6,375.4 | 36,391.2 | 12,380.6 | 8,434.6 | 720.0 | 866.2 | 922.2 | 73.0 | 2,581.5 | 62,073.8 |
| 1955 | 2,462.4 | 16,629.0 | 16,585.6 | 6,875.1 | 40,089.7 | 13,647.6 | 9,812.2 | 922.9 | 998.9 | 1,106.1 | 45.8 | 3,073.7 | 69,105.5 |
| 1956 | 2,128.8 | 16,109.1 | 18,485.0 | 7,732.8 | 42,326.9 | 12,631.6 | 10,961.0 | 815.2 | 893.3 | 990.2 | 72.3 | 2,771.0 | 70,819.3 |
| 1957 | 1,990.2 | 16,923.7 | 15,857.0 | 7,104.4 | 39,885.1 | 13,043.0 | 11,862.4 | 588.2 | 852.8 | 1,047.5 | 58.6 | 2,647.1 | 69,427.9 |
| 1958 | 2,653.2 | 21,793.1 | 19,766.5 | 8,876.2 | 50,435.8 | 17,735.2 | 16,442.7 | 946.6 | 989.5 | 1,265.0 | 71.8 | 3,272.8 | 90,539.7 |
| 1959 | 3,091.3 | 24,584.3 | 23,506.8 | 10,425.6 | 58,516.6 | 19,110.0 | 14,677.6 | 865.6 | 1,046.1 | 1,065.6 | 54.7 | 3,032.0 | 98,427.5 |
| 1960 | 2,865.7 | 24,637.4 | 28,222.4 | 11,010.9 | 63,870.7 | 18,737.2 | 13,019.9 | 1,022.9 | 858.1 | 1,407.8 | 73.6 | 3,362.4 | 101,855.7 |
| 1961 | 4,109.6 | 28,519.7 | 21,302.3 | 9,545.1 | 59,367.1 | 22,902.0 | 18,101.1 | 1,086.6 | 1,072.1 | 1,412.1 | 96.4 | 3,667.3 | 108,147.2 |
| 1962 | 4,368.8 | 34,886.4 | 31,828.5 | 15,036.5 | 81,751.4 | 23,436.2 | 5,515.9 | 790.3 | 986.3 | 1,180.6 | 59.8 | 3,016.9 | 118,089.2 |
| 1963 | 4,465.0 | 37,763.1 | 41,639.2 | 16,877.1 | 96,279.3 | 26,472.2 | 5,598.7 | 848.5 | 864.7 | 1,348.5 | 77.7 | 3,039.4 | 135,954.6 |
| 1964 | 4,967.6 | 42,187.5 | 45,165.1 | 19,982.9 | 107,335.6 | 29,149.9 | 5,840.0 | 1,000.7 | 1,011.7 | 1,467.7 | 63.2 | 3,543.3 | 150,836.3 |
| 1965 | 6,406.5 | 58,634.7 | 64,149.3 | 25,533.3 | 148,317.3 | 38,324.2 | 4,862.0 | 1,539.1 | 1,127.6 | 2,082.8 | 47.5 | 4,797.0 | 202,706.9 |
| 1966 | 7,542.7 | 63,160.1 | 68,084.1 | 26,623.2 | 157,867.4 | 41,348.3 | 1,173.8 | 1,303.6 | 982.5 | 2,532.4 | 45.7 | 4,864.2 | 212,796.5 |
| 1967 | 7,571.8 | 65,256.6 | 58,802.3 | 23,634.3 | 155,265.0 | 42,915.9 | 1,079.2 | 980.4 | 1,146.9 | 2,242.3 | 35.0 | 4,404.7 | 203,664.9 |
| Total 1945–67 | 68,489.8 | 597,062.5 | 624,905.4 | 253,360.3 | 1,482,899.9 | 387,532.6 | 154,749.2 | 16,814.1 | 16,719.5 | 25,348.2 | 996.5 | 59,878.2 | 2,145,977.9 |

[1]The Farm Improvement Loans Act came into force March 1, 1945. 1945 figures refer to the 10 month period, March 1, 1945 to December 31, 1945.

SOURCE: *Farm Improvement Loans Act, Annual Reports*, Department of Finance.

TABLE B. 14

Farm Improvement Loans Act, Loans by Provinces, 1945–1967

| | Loans Made | | Amount Lent | | Average Size of Loans |
|---|---|---|---|---|---|
| | (number) | % | (dollars) | % | (dollars) |
| British Columbia | 41,226 | 2.9 | 68,489,767 | 3.2 | 1,661 |
| Alberta | 395,845 | 27.9 | 597,060,485 | 27.9 | 1,508 |
| Saskatchewan | 410,023 | 28.9 | 624,906,021 | 29.1 | 1,524 |
| Manitoba | 172,424 | 12.1 | 253,360,300 | 11.8 | 1,469 |
| Prairie Provinces | 978,292 | 68.9 | 1,475,326,806 | 68.8 | 1,508 |
| Ontario | 239,296 | 16.9 | 387,534,068 | 18.0 | 1,619 |
| Quebec | 113,348 | 8.0 | 154,748,970 | 7.2 | 1,365 |
| New Brunswick | 11,893 | 0.8 | 16,814,076 | 0.8 | 1,414 |
| Nova Scotia | 13,863 | 1.0 | 16,719,454 | 0.8 | 1,206 |
| Prince Edward Island | 20,544 | 1.4 | 25,348,204 | 1.2 | 1,234 |
| Newfoundland | 631 | 0.1 | 996,516 | 0.0 | 1,579 |
| Atlantic Provinces | 46,931 | 3.3 | 59,878,250 | 2.8 | 1,276 |
| Total | 1,419,093 | 100.0 | 2,145,977,861 | 100.0 | 1,512 |

SOURCE: *Farm Improvement Loans Act, Annual Report 1967*, Department of Finance.

TABLE B. 15

Number and Average Size of Loans Made Under the Farm Improvement Loans Act, Canada, 1945 to 1967

| Year | Loans Made | Average Size of Loan |
|---|---|---|
| | (number) | (dollars) |
| 1945[1] | 4,311 | 784 |
| 1946 | 13,030 | 758 |
| 1947 | 22,046 | 824 |
| 1948 | 30,431 | 964 |
| 1949 | 44,775 | 1,025 |
| 1950 | 58,969 | 1,075 |
| 1951 | 75,063 | 1,137 |
| 1952 | 83,315 | 1,180 |
| 1953 | 83,962 | 1,166 |
| 1954 | 58,572 | 1,060 |
| 1955 | 60,755 | 1,137 |
| 1956 | 60,180 | 1,177 |
| 1957 | 57,988 | 1,199 |
| 1958 | 70,278 | 1,288 |
| 1959 | 71,143 | 1,384 |
| 1960 | 68,041 | 1,497 |
| 1961 | 70,615 | 1,531 |
| 1962 | 72,621 | 1,626 |
| 1963 | 77,373 | 1,757 |
| 1964 | 80,632 | 1,871 |
| 1965 | 91,191 | 2,223 |
| 1966 | 85,553 | 2,488 |
| 1967 | 78,249 | 2,602 |
| Total | 1,419,093 | 1,512 |

[1]10 months only.

SOURCE: *Farm Improvement Loans Act, Annual Report 1967*, Department of Finance.

TABLE B. 16

Farm Improvement Loans Act, Loans by Purposes, 1945–1967

| | Loans Made | | Amount Lent | |
|---|---|---|---|---|
| | (number) | % | (dollars) | % |
| Purchase of agricultural implements | 1,140,488 | 80.4 | 1,703,138,797 | 79.4 |
| Construction, repair or alteration of or making additions to any building or structure on a farm | 109,006 | 7.7 | 235,096,363 | 10 9 |
| Purchase of livestock | 110,093 | 7.7 | 146,258,993 | 6.8 |
| Other improvements | 59,506 | 4.2 | 61,483,708 | 2 9 |
| Total | 1,419,093 | 100.0 | 2,145,977,861 | 100.0 |

SOURCE: *Farm Improvement Loans Act, Annual Report 1967*, Department of Finance.

TABLE B. 17

Farm Improvement Loans Act: Claims, Interest and Collection Costs Paid by the Federal Government Under Terms of the Act, 1965, 1966, 1967 and Total 1945 to 1967

| | 1965 | | 1966 | | 1967 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| | | (dollars) | | (dollars) | | (dollars) | | (dollars) |
| British Columbia | 7 | 9,867.99 | 8 | 8,766.86 | 10 | 13,814.86 | 91 | 100,441.55 |
| Alberta | 46 | 32,955.10 | 39 | 43,347.74 | 60 | 58,362.42 | 821 | 586,875.67 |
| Saskatchewan | 38 | 32,273.60 | 31 | 28,467.42 | 36 | 32,675.28 | 922 | 672,192.69 |
| Manitoba | 19 | 16,097.72 | 14 | 9,909.24 | 15 | 14,635.57 | 259 | 216,612.69 |
| Ontario | 34 | 31,608.78 | 61 | 77,586.72 | 60 | 66,610.64 | 505 | 432,204.80 |
| Quebec | 67 | 66,303.41 | 75 | 73,151.10 | 83 | 121,607.28 | 559 | 488,451.18 |
| New Brunswick | 9 | 8,220.55 | 5 | 1,638.06 | 2 | 1,121.60 | 62 | 44,304.40 |
| Nova Scotia | 1 | 253.06 | 2 | 375.15 | 5 | 10,380.73 | 51 | 35,920.96 |
| Prince Edward Island | 8 | 4,792.31 | 8 | 4,967.29 | 13 | 18,578.03 | 154 | 98,124.72 |
| Newfoundland | | | | | 1 | 1,607.15 | 8 | 6,878.45 |
| Total | 229 | 202,372.52 | 243 | 248,209.58 | 285 | 339,393.56 | 3,432 | 2,682,007.11 |

SOURCE: Department of Finance.

TABLE B. 18

Prairie Grain Advance Payments Act, Number and Amount of Advances and Cost to the Federal Government, 1957–58 to 1966–67

| Year | No. of Applications | Total Advances | Average Advance | % Refunded | Cost to Government |
|---|---|---|---|---|---|
| | | ($ million) | $ | % | ($ thousand) |
| 1957–1958 | 50,412 | 35.2 | 698 | 99.9 | |
| 1958–1959 | 45,341 | 34.4 | 758 | 99.9 | 893 |
| 1959–1960 | 50,047 | 38.5 | 769 | 99.9 | 756 |
| 1960–1961 | 76,089 | 63.9 | 840 | 99.9 | 1,297 |
| 1961–1962 | 22,342 | 16.7 | 746 | 99.9 | 625 |
| 1962–1963 | 39,683 | 29.2 | 737 | 99.9 | 478 |
| 1963–1964 | 63,427 | 62.1 | 980 | 99.9 | 864 |
| 1964–1965 | 38,375 | 33.0 | 859 | 99.8 | 543 |
| 1965–1966 | 43,509 | 40.6 | 933 | 99.7 | 669 |
| 1966–1967 | | 36.7 | | 96.2 | 583 |

SOURCE: *1966–67 Annual Report of the Canadian Wheat Board.*

TABLE B. 19

Industrial Development Bank: Number and Amount of Agricultural Loans, Fiscal Years Ending September 30, 1961 to 1967

| Year | No. of Loans | Amount Lent | Average Size of Loan |
|---|---|---|---|
| | | ($ thousand) | $ |
| 1961 | 11 | 242 | 22,000 |
| 1962 | 106 | 4,127 | 38,934 |
| 1963 | 175 | 4,809 | 27,480 |
| 1964 | 201 | 5,892 | 29,313 |
| 1965 | 205 | 7,118 | 34,722 |
| 1966 | 185 | 6,876 | 37,168 |
| 1967 | 169 | 6,121 | 36,219 |
| Total | 1,052 | 35,185 | 33,446 |

SOURCE: Annual Reports, Industrial Development Bank.

TABLE B. 20

Manitoba Agricultural Credit Corporation: Approved Loans by Purposes, 1959–60 to 1966–67

| Purpose | Thousand dollars | Per cent |
|---|---|---|
| Purchase of land | 30,734.4 | 74.4 |
| Permanent improvements to buildings | 2,232.9 | 5.4 |
| Permanent improvements to land | 159.9 | .4 |
| Removal of encumbrances and consolidation of debts | 7,328.9 | 17.8 |
| Purchase of livestock | 514.1 | 1.2 |
| Purchase of equipment | 290.2 | .7 |
| Other purposes (includes beef cattle) | 28.1 | .1 |
| Total | 41,288.5 | 100.0 |

SOURCE: *Annual Report of the Department of Agriculture and Conservation*, for the year ended March 31, 1967. p. 107.

TABLE B. 21

Manitoba Agricultural Credit Corporation: New Loans Approved 1959–60 to 1966–67

| Year | New Loans Approved | | |
|---|---|---|---|
| | Number | Total Amount | Average Size |
| | | (dollars) | |
| 1959–60 | 425 | 4,141,705 | 9,745 |
| 1960–61 | 533 | 5,922,286 | 11,111 |
| 1961–62 | 381 | 4,533,988 | 11,900 |
| 1962–63 | 298 | 3,622,113 | 12,155 |
| 1963–64 | 281 | 3,556,660 | 12,657 |
| 1964–65 | 283 | 4,055,410 | 12,796 |
| 1965–66 | 301 | 5,136,697 | 17,065 |
| 1966–67 | 281 | 5,218,382 | 18,571 |
| Total | 2,783 | 36,187,241 | 13,003 |

SOURCE: *Annual Reports of the Department of Agriculture and Conservation.*

TABLE B. 22

Manitoba Agricultural Credit Corporation: Approved Loans by Age Groups, 1959–60 to 1966–67

| | Age Group | | | |
|---|---|---|---|---|
| | Less than 35 years | More than 34 years | Beef Cattle Loans | Totals |
| Number approved—net | 1,628 | 1,160 | 4 | 2,792 |
| Percentages | 58.3 | 41.5 | .2 | 100 |
| Money approved $ | 27,347,299 | 15,917,018 | 24,200 | 41,288,517 |
| Percentages | 61.4 | 38.6 | | 100 |
| Average loans $ | 15,570 | 13.722 | 6,050 | 14,788 |

SOURCE: *Annual Report of the Department of Agriculture and Conservation*, for the year ended March 31, 1967. p. 107.

# chapter fourteen

## CROP INSURANCE

### INTRODUCTION

Repeated attempts have been made by farmers in Canada since the early 1920's to obtain some form of systematic protection against the effects of highly variable and uncertain crop yields. A private insurance company was induced to enter the crop insurance business in Western Canada during the 1920's but after a short and costly experience withdrew from the field. This experience was followed by several studies of the feasibility of all-risk crop insurance and repeated attempts by prairie farmers to have the government enter the crop insurance business. In 1939, the Federal Government passed the Prairie Farm Assistance Act which was designed to relieve Prairie farmers from the full effects of highly variable and often extremely low crop yields. Twenty years later the Federal Crop Insurance Act was passed. Both the Prairie Farm Assistance Act and the Federal Crop Insurance Act are in operation at this date (December, 1969).

In no other industry is the risk of loss due to natural hazards as large or as unpredictable as in agriculture. Widespread crop losses in many parts of Canada, particularly in the Prairie Provinces, have created severe hardships not only for the farmers concerned but for entire rural communities. Between 1931 and 1937 as a result of a devastating drought and low farm prices total relief expenditures for the three Prairie Provinces amounted to nearly $283 million, of which around $100 million were contributed by the Federal Government. Since that time, public assistance has been provided on several occasions to farmers in all parts of Canada who have suffered the ravages of rust, drought, frost, excessive rainfall, hail and insects. The need for some form of systematic protection against widespread crop loss has been long recognised.

## THE PRESENT SITUATION

### 1. *The Prairie Farm Assistance Act*

The Prairie Farm Assistance Act has been amended several times since its inception in 1939. The legislation provides for a levy of one per cent on all grains marketed through the Canadian Wheat Board to help cover indemnities paid to farmers under the program. Any deficits in the program are covered by monies transferred from the Federal Government. The basis for payment is the average yield of wheat in a given block or township. The basis for and the amount of the indemnity awarded to any given farmer within the designated township or block is as follows:

| | |
|---|---|
| (a) yield of 0 to 3 bushels per acre within the township or block | $4 per acre |
| (b) yield of 3 to 5 bushels per acre | $3 per acre |
| (c) yield of 5 to 8 bushels per acre | $2 per acre |
| (d) yield of 8 to 12 bushels per acre | 10 cents per acre for each cent, not exceeding 10, by which the average price is less than 80 cents per bushel. |

The indemnity paid to an individual farmer applies to not more than half of the cultivated land up to a maximum of 200 acres, with a maximum payment of $800.

During the period 1939 to 1968, the total levy collected under the Act amounted to approximately $196 million and total indemnities paid amounted to nearly $370 million (Table 1). In the case of Manitoba the levy almost equalled the payments made under the program; in the case of Saskatchewan and Alberta, the levy amounted to about 50 per cent of the total payments made. Since the introduction of the Prairie Farm Assistance Act in 1939, over 1.5 million awards have been made under the program.

TABLE 1

Prairie Farm Assistance Act; Levy Collected, Awards, and Total Payments 1939 to July 31, 1968

| | Levy Collected | Total Payments | Number of Awards |
|---|---|---|---|
| | (dollars) | (dollars) | |
| Manitoba | 26,747,000 | 30,430,000 | 162,000 |
| Saskatchewan | 115,254,000 | 233,975,000 | 873,000 |
| Alberta | 54,004,000 | 103,633,000 | 460,000 |
| British Columbia | — | 1,929,000 | 10,000 |
| Unallocated | 4,000 | — | — |
| Total | 196,009,000 | 369,967,000 | 1,505,000 |

### 2. *The Federal Government's Crop Insurance Act*

The Crop Insurance Act was passed in 1959. This Act provided enabling legislation to allow the provincial governments to establish crop insurance programs. The Act originally provided that the Federal Government could enter into an agreement with any province to contribute 50 per cent of the administrative costs and 20 per cent of the premiums necessary to operate crop insurance plans. In addition there was provision for federal loans to the province in years when indemnities exceeded the reserves available for paying claims.

In 1964, an amendment to the Act provided that, as an alternative to loans, the Federal Government might reinsure part of the provincial risk involved in an approved crop insurance program.

Further amendments were made to the Act in 1966 to allow more flexibility in the provisions of the crop insurance plans, in order to meet the needs of farmers across Canada who produce special crops and grains. These amendments included:

(a) raising the limit of coverage from 60 per cent of the average yield to 80 per cent;

(b) increasing the Federal Government's contribution to the individual farmer's premium from 20 to 25 per cent;

(c) extending coverage to fruit trees and perennial plants and to summer fallow that could not be seeded because of wet conditions;

(d) calculation of a farmer's coverage on the basis of average yield of the crop experienced either on his farm or on all farms in the area.

Since its inception in 1960, the number of farmers participating in the crop insurance program increased substantially. During the 1968-69 crop year, 64,376 farmers took out crop insurance valued in excess of $188 million (Table 2). In 1969, eight provinces participated in the crop insurance program, with Nova Scotia introducing crop insurance for the first time.

TABLE 2

Data Relating to the Crop Insurance Act, Canada, 1967–68 and 1968–69

| | 1967–68 | 1968–69 |
|---|---|---|
| Number of farmers insured | 33,436 | 64,376 |
| | (dollars) | (dollars) |
| Insurance coverage | 91,247,351 | 188,192,000 |
| Premiums charged | 7,169,605 | 13,094,000 |
| Indemnities paid | 2,791,516 | 15,597,000 |
| Administrative costs | 1,443,972 | 3,501,918 |
| Federal contributions | | |
| (a) Quebec | — | 1,200,000 |
| (b) Other provinces | 2,651,993 | 4,839,795 |
| Federal re-insurance reserves | 1,911,088 | 3,226,006 |

TABLE 3

The Crop Insurance Act—Number of Farmers Insured and Crop Coverage, by Province, 1968

| Province[1] | No. of Farmers | Coverage | Total Premiums | Indemnities | Loss Ratio 1968–69 | Loss Ratio To Date |
|---|---|---|---|---|---|---|
| | | ($ thousand) | ($ thousand) | ($ thousand) | | |
| P.E.I. | 152 | 375 | 29 | 44 | 1.52 | 2.28 |
| Quebec | 19,177 | 50,000 | 2,125 | 5,000 | 2.34 | 2.34 |
| Ontario | 1,861 | 3,391 | 279 | 318 | 1.14 | 1.41 |
| Manitoba | 14,481 | 36,600 | 3,200 | 2,250 | .70 | .58 |
| Saskatchewan | 12,343 | 27,000 | 2,350 | 1,645 | .70 | .44 |
| Alberta | 15,661 | 63,720 | 4,581 | 5,400 | 1.18 | .83 |
| British Columbia | 701 | 7,106 | 530 | 940 | 1.77 | 1.29 |
| Total | 64,376 | 188,192 | 13,094 | 15,597 | 1.19 | .77 |

[1]Nova Scotia introduced crop insurance legislation for the first time in 1969.

### 3. *Provincial Participation*

During the first year (1960) of the program, only Manitoba introduced crop insurance legislation. In that year 2,472 farmers purchased crop insurance.

The crop insurance program has since been introduced into seven other provinces. In 1968 the Province of Alberta had the largest insurance program with a coverage in excess of $63 million.

The loss ratio under the crop insurance program in 1968 was highest in Quebec and lowest in Manitoba and Saskatchewan.

The all-risk crop insurance program is a splendid example of how the state and farmers of Canada have combined to provide a much needed program for the agricultural industry. Crop insurance provides the individual farmer with a systematic form of protection against highly variable crop yields and unpredictable crop losses. It provides substantial stability to the rural economy and eliminates the need for *ad hoc,* hastily conceived and costly emergency programs, to deal with widespread crop loss.

Crop insurance is an actuarially based program in which the premiums paid by farmers bear a close relationship to the risks involved and the level of coverage selected. In principle, the premium rates are calculated for each soil type and each crop in such a way that the total amount of the premium payments made should equal the indemnities paid out over a long-run period taking into account the Federal subsidy of 25 per cent of the premiums and the administration costs which are shared equally by the Federal and provincial governments. In any given year, the premium collected from the individual farmer may be more or less than the indemnity paid but eventually the total amount of the premiums collected should equal the total payments made to the farmer. If persistent losses (or persistent gains) occur over a longer-run period of time, the crop insurance program should not be regarded as being actuarially sound.

The crop insurance program in Canada is based on the actuarial principle outlined above. To the extent, however, that the administrative costs of the program are shared equally by the Federal and respective provincial governments and the Federal Government contributes 25 per cent of the premiums involved, the insured farmers pay correspondingly less on their individual insurance premiums.

## ASSESSMENT

It has become evident that the development of the crop insurance program, particularly in the Prairie Provinces, has made the Prairie Farm Assistance Act redundant. During the period 1939-67, the average annual subsidy paid to the P.F.A.A. program amounted to $5.9 million and the average annual cost of administering the program has amounted to approximately $635,000.

While the P.F.A.A. has helped to alleviate the effects of crop yield instability in Western Canada, it has several limitations, the most important of which are the following:

1. It is not sensitive enough to crop yield instability on the individual farm. The average wheat yield in a township is used as the basis for determining whether or not payments are to be made to all farmers in the township regardless of their individual yields.
2. The level of protection is completely inadequate relative to current crop production costs (i.e. the maximum per farm is $800 in any one year regardless of losses incurred).
3. The basis for payment of benefits to farmers i.e. township or block, bears little correlation to soil type or crop yield.
4. It weighs heavily in favour of low-yield, sub-marginal farming areas—for example, some areas in the Prairie Provinces have received payments every year since the inception of the program in 1939 while other areas have never received any benefit from the program. This is the most serious criticism which can be made of any crop insurance program.

The introduction of a comprehensive, all-risk crop insurance program has made the Prairie Farm Assistance Act redundant.

The Task Force is satisfied that crop insurance provides a rational and systematic method of dealing with highly variable crop yields and unpredictable crop losses; it permits the individual farmer to protect himself against serious financial loss due to natural hazards over which he has little or no control.

In a more general sense, crop insurance reduces the impact of widespread crop losses on the rural economy. To this extent, most businesses connected with agriculture tend to benefit from the program.

The Task Force notes that the "loss ratio" for several provinces appears to be extremely high. It is obvious that the premium-indemnity ratio will vary substantially from year to year but the premiums should cover the indemnities over the longer run if the program is to remain a viable operation or if excessive subsidies are to be avoided. The crop insurance programs in those provinces showing heavy losses will need to be watched very closely during the next few years. If losses of the magnitude shown in Table 3 persist in particular provinces their premium rates should be revised upward to make the program actuarially sound.

## RECOMMENDATIONS

The Task Force recommends the following:

1. The immediate discontinuance of the P.F.A.A. program;
2. The equivalent of the annual subsidy paid to the P.F.A.A. program by the Federal Government should be allocated to the financing of the Prairie Grain Price Stabilization Program (see Chapter 5);
3. An independent body should be appointed by the National Agricultural Advisory Council to evaluate the actuarial structure of the crop insurance program in Canada and make the results of such an evaluation known annually at the proposed national policy conference outlined elsewhere in this Report;
4. In 1975 a Federal-provincial committee should appoint an independent body to make a comprehensive evaluation of the effectiveness and efficiency of the crop insurance program and, in particular, to recommend on whether or not the current subsidy should be continued.

# chapter fifteen

## AGRICULTURAL RESEARCH

### INTRODUCTION

Over the years agricultural research has contributed to the transformation of Canada from a predominantly rural to an industrialized urban society through the introduction of more efficient methods of food production. It has made possible the development of a large and complex industry involved in the processing and marketing of farm products and in the provision of a growing range of production inputs and services to farmers. It has brought large benefits to food consumers in the form of abundant supplies and favourable prices, placing Canadians among the best fed nations in the world.

During recent years, however, growing surpluses of some agricultural commodities have cast a shadow over the benefits of research. A question frequently encountered is this: why should we continue expenditures on agricultural research when we are unable to sell all that we can produce? This question must be answered before a more positive policy can be developed for agricultural research in the future.

There can be no doubt that agricultural surpluses tend to have a depressing effect on the adoption of results flowing forth from research. To argue, however, that agricultural research should be curtailed because of the surpluses is to miss the basic issue involved. It is the problem of surpluses which should be attacked, not research.

The basic reasons for the build-up of stocks in certain agricultural commodities in Canada have been dealt with at length in other sections of this Report. In the case of grains, and wheat in particular, several agricultural policies and programs have led to the creation of costly and unwarranted stocks. These surpluses, in turn, have had the effect of discouraging the adoption of technological innovations and the more efficient use of resources in agriculture.

The Task Force has advocated elsewhere in this Report that Canadian farmers must be prepared and must be provided with the opportunity to compete more effectively in the international markets of the world. As long as Canadian farmers remain dependent on world markets for the disposal of a large part of their production, they cannot remain isolated from the changes which are taking place in the international economy. It is becoming very clear that Canadian agriculture will not have easy access to export markets in the future; these markets will be extremely competitive and will go generally to those countries which are prepared to compete on the basis of efficiency, notwithstanding tariffs, export subsidies and import quotas of various kinds.

Agricultural research can be a powerful tool in helping Canadian farmers compete more aggressively and more successfully in the markets of the world. Policies which prevent or discourage the use of research in this way will not only make it more difficult to meet international competition but, what is worse, Canadian farmers may find their markets in Canada being taken over to an increasing degree by foreign competitors.

## PRESENT STATUS OF AGRICULTURAL RESEARCH

The Task Force did not undertake any comprehensive analysis of agricultural research in Canada. This topic has been the concern of a Special Study Group whose report is to be published in the near future.[1] However, the Task Force does wish to make certain observations and recommendations on research as it relates to the development of a more competitive position for Canadian agriculture in the export markets of the world.

During the course of its investigations, the Task Force encountered many serious gaps in information and data relating to the agricultural industry in Canada—gaps which had to be filled at considerable time and expense before the Task Force could proceed with its analysis and evaluation of agricultural policies in Canada.

In several instances, the Task Force found that certain research data relating to the Canadian agricultural industry could be obtained more readily from foreign sources, particularly the United States, than from sources within Canada.

The serious lack of research on many aspects of the Canadian agricultural industry was evident in many of the briefs and submissions made to the Task

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[1] The Special Study Group on Agricultural Research was established in 1966 by the Science Secretariat, Government of Canada, to examine and report on all aspects of agricultural research in Canada. Its report will be published by the Science Council of Canada in early 1970.

Force during the earlier part of its investigations. Many recommendations presented to the Task Force were not supported with adequate research and analysis.

The Special Study Group on Agricultural Research[2] found that a total of \$74.7 million was spent on agricultural research in Canada in 1967 (Table 1). The Federal Government itself was by far the most important agency involved in this endeavor; of the total amount spent on agricultural research, 53 per cent was spent by the Federal Government. By contrast, only seven per cent of the total was spent by industry, compared with 50 per cent for private industry in the United States.[3]

TABLE 1

Total Expenditures on Agricultural Research and Development in Canada, 1967

| | Expenditures | % of Total |
|---|---|---|
| | (\$ thousand) | |
| Federal Government | 39,616 | 53.0 |
| Provincial Governments | 7,901 | 10.6 |
| Industry | 5,464 | 7.4 |
| Total University | 21,687 | 29.0 |
| Grand Total | 74,668 | 100% |

It can hardly be said that the amount of funds allocated for agricultural research is excessive. The \$75 million spent on agricultural research in 1967 represented about 1.7 per cent of farm cash receipts or about 0.9 per cent of the total spent by Canadian food consumers. Expressed another way current government expenditures on storage programs for wheat are almost as large as the amount spent in support of agricultural research.

The Task Force supports the observations made by the U.S. National Advisory Commission on Food and Fibre:[4]

> Cutting back research funds would not help settle the current excess capacity problem in any case. Many of the present production techniques were developed from ideas and projects done 25 years ago. The research now underway will appear in the techniques of 1985 or 2000. It would be dangerous to gamble that new technology would not be needed at the end of the century.

At the same time, the Task Force contends that serious questions can be raised about the emphasis (or lack of emphasis) which is being placed on

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[2] The preliminary findings of the Special Study Group on Agricultural Research were made available to the Task Force during the Canadian Agriculture Congress held in Ottawa in March, 1969, in a document entitled *Agricultural Research and Development.*

[3] See: Report of the National Advisory Commission on Food and Fibre, *Food and Fibre for the Future.* U.S. Gov't. Printing Office, Washington, D.C., 1967.

[4] *Ibid.*, p. 269.

many facets of agricultural research in Canada. Continuous evaluation should be made of agricultural research to ensure that the funds made available are spent in areas which promise to yield the greatest benefits to society. Are the objectives of agricultural research in Canada clearly defined? Are the current priorities relating to the allocation of research funds fully justified? What criteria should be used in setting these priorities? Is there a proper balance among the various disciplinary components of the overall research system?[5] Is there sufficient integration among the various research disciplines? Are the research institutions responsive to the changing needs of the agricultural industry?

These are only a few of the many questions which should be raised in any evaluation of agricultural research in Canada.

Approximately 82 per cent of the total funds allocated for agricultural research was spent on the natural sciences compared with 9.5 per cent in agricultural economics, seven per cent on agricultural engineering and one per cent on rural sociology (Table 2).

TABLE 2

Total Expenditures on Agricultural Research and Development by Discipline Areas, Canada, 1967

| Disciplines | Expenditures | % of Total |
|---|---|---|
| | ($ thousand) | |
| Natural Sciences | 61,597 | 82.5 |
| Agricultural Engineering | 5,248 | 7.0 |
| Agricultural Economics | 7,086 | 9.5 |
| Rural Sociology | 737 | 1.0 |
| Grand Total | 74,668 | 100% |

A detailed breakdown of the man-years of research effort for the various discipline groups is shown in Table 3. Of particular interest to the Task Force is the allocation of professional resources in the field of agricultural economics. A total of 98.8 man-years were devoted to research in this area of concern. Of this total, only 18.3 man-years, or about 1.2 per cent of the total man-years in all agricultural research, were devoted to research in marketing, distribution and international trade. Worse still, only 4.8 man-years of effort were available in the field of agricultural policy research, a topic of primary importance to the Task Force. It will also be noted that the equivalent of

[5] See the *Challenge of Growth and Change*, Fifth Annual Review, Economic Council of Canada, page 95.
The Economic Council notes that 219 professional man-years of research were associated with horticultural crops in 1966 compared with only 113 man-years of research in cereal crops. During the same year, however, horticultural crops accounted for only ten per cent of Canada's total farm cash income while the cash income derived from the sale of cereal crops accounted for more than 25 per cent.

TABLE 3

Allocation of Professional Staff to Research by Disciplines (Man-Years) Canada, 1967

| Discipline | Total Man-Years | % of Grand Total |
|---|---|---|
| *Natural Sciences* | | |
| Plant Production | 272.6 | 18.4 |
| Animal Production | 124.1 | 8.4 |
| Plant Protection | 273.3 | 18.5 |
| Animal Protection | 95.0 | 6.4 |
| Soil, Water | 124.2 | 8.4 |
| Food Products | 55.6 | 3.7 |
| General | 375.6 | 25.4 |
| Sub-total | 1,320.4 | 89.2 |
| *Agricultural Engineering* | | |
| Machinery | 16.4 | 1.1 |
| Power | 1.1 | 0.1 |
| Structures | 3.8 | 0.3 |
| Environmental Control | 1.4 | 0.1 |
| Crop, Food Processing | 1.5 | 0.1 |
| Materials | 0.8 | — |
| Water Resources | 14.2 | 1.0 |
| Soils | 0.2 | — |
| Research Equipment | 2.9 | 0.2 |
| Sub-total | 42.3 | 2.9 |
| *Agricultural Economics* | | |
| Economic Development | 3.9 | 0.3 |
| Econ. of Production | 54.1 | 3.6 |
| Marketing, Distribution and Trade | 18.3 | 1.2 |
| Resource Use and Development | 10.3 | 0.7 |
| Agricultural Policy | 4.8 | 0.3 |
| Co-operatives | 2.9 | 0.2 |
| Methodology and Theory | 1.8 | 0.1 |
| Econometrics | 1.4 | 0.1 |
| Inter-Regional Competition | 0.8 | — |
| Sub-total | 98.8 | 6.5 |
| *Rural Sociology* | | |
| Anthropology | 3.7 | 0.2 |
| Social Psychology | 0.6 | — |
| General Sociology | 10.1 | 0.7 |
| Rural Sociology | 6.5 | 0.4 |
| Extension | 1.0 | 0.1 |
| Sub-total | 22.1 | 1.4 |
| Grand total | 1,483.6 | 100% |

only 6.5 man-years of effort were allocated to research in the field of rural sociology, far from sufficient to cope with the immensely complex social and human problems of the rural community.

The relatively small amount of resources devoted to research in the field of agricultural economics, particularly in the area of marketing, international trade and policy, became very evident to the Task Force in the course of the work. In several areas, the Task Force had to suspend much of its primary activities until considerable background research was carried out. In other areas, the gaps in data and information were a source of continual frustration and delay. The marketing area, in particular, while receiving a great deal of attention from farmers and governments over the past quarter century, has had little effort devoted to it from a research point of view. Questions raised 25 years ago with respect to commodity marketing boards are still unanswered, mainly because little research has been done in this area during the intervening years. One of the primary weaknesses of the provincially-appointed Farm Products Marketing Boards has been the lack of research on which to base decisions as to whether various producer commodity boards should be established or not. Grain marketing, one of the largest and most significant aspects of the agricultural industry, remains an almost virgin area for research. The Task Force finds it difficult to believe that the Canadian Wheat Board, an organization with an annual volume of business close to one billion dollars, should devote so little resources to marketing research. The newly formed Canada Grains Council will be seriously handicapped unless a great deal more support is forthcoming for its research program. Despite the predominance of export trade for many Canadian agricultural commodities, relatively little effort has been devoted to be study and investigation of matters relating to international trade. In spite of the crucial importance of export markets for Canadian farm products, the Task Force found little research and information available in this field of concern.

In few areas of economic and sociological research relating to the agricultural industry in Canada can it be said that sufficient data and information are available on which to build reliable policies and programs.

The Task Force was able to close some of the gaps in economic research but, in many cases, the research job to be done was beyond the time and resources available. We note that concern about the lack of research in agricultural economics has been of long standing interest to farm organizations and governments but to date only a small amount of resources have been allocated to the area. The point might be illustrated by quoting from a recent publication of the Canadian Federation of Agriculture.[6]

> As evidence of their real concern, we would emphasize that western grain producers have repeatedly sought approval for a small (1/10 of 1%) deduction from the sale price of all grains handled by the Wheat Board, to be controlled by producers in their support of research. It is to be regretted that neither the Government nor the Canadian Wheat Board has ever taken positive action in support of this request.

[6] A report to farmers from the Canadian Federation of Agriculture, May 28, 1969.

Several years ago, the farm organizations were criticized for the lack of research devoted to their policy recommendations:[7]

> The Commission wonders how the small group of persons responsible for research in the present farm organizations can be expected to carry out the research and investigation associated with the long list of complex topics dealt with at annual conventions, and in the various briefs and submissions presented to governments each year. For example, an examination of briefs submitted by farm organizations to the Federal and provincial governments over the last 2 or 3 years included such topics as: crop insurance, farm credit, deficiency prices, highway traffic, education, Natural Products Marketing Act, parity prices, realty taxes, PFRA, vertical integration, exchange devaluation, tariffs, the E.E.C., the small farm problem, ARDA, transportation and freight rates, trade and surplus disposal, marketing boards, broadcasting, health insurance . . . .

The Commission went on to observe:

> If farm organizations are to analyse properly the many complex problems which beset the farm industry, and if they are to make intelligent and responsible recommendations on farm policy, they will need to increase greatly the amount of money which they are presently investing in their research departments.

The cost and complexity of most agricultural research projects are beyond the means and capacity of the individual farmer. At the same time, however, the Task Force feels that much more could be done in agricultural research by private industry and farm organizations. In the early 1960's a national agricultural policy conference was held in Winnipeg to lay the groundwork for the establishment of its Agricultural Economics Research Council of Canada. This organization was established in 1963 and given a mandate by the Federal and provincial governments, farm organizations and private industry to proceed with a comprehensive research program relating to agricultural policy matters in Canada. Because of a lack of adequate financial support, this organization has made relatively little progress since its inception and, indeed, faces a precarious existence at the present time.

## MARKET-ORIENTED COMMODITY RESEARCH

In addition to the need for greatly increased support of research in agricultural economics, other areas of agricultural research require special attention if Canadian agricultural commodities are to remain competitive in world markets. No attempt is made here to develop a comprehensive policy for agricultural research in Canada or to set out an exhaustive list of research projects which require further emphasis. Rather, particular areas will be singled out for attention as examples of the general approach which should be taken in using agricultural research as a means of making Canadian agriculture a more competitive force in international markets.

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[7] Report of the *Manitoba Commission on Farm Organizations*, December, 1962.

Elsewhere in this Report, the Task Force recommends the development of agricultural policies which recognize more explicitly the forces of the market place. We recommend the same point of departure for agricultural research. Not only must there be a greater emphasis on market-oriented commodity research but our agricultural policies must be such that the results of this research are transmitted to the market place. It is pointless to develop higher yielding grains if our price and marketing policies lead to an accumulation of costly surpluses.

To encourage a greater emphasis on market-oriented commodity research, the Task Force recommends that a strong and continuing program of commodity marketing research be developed by the Economics and Business Branch of the Federal Department of Agricultural Industry. To ensure that the results of this research are closely integrated with the work of the scientists and engineers of the Research Branch, the Task Force recommends that the heads of these two branches be requested by the Minister to produce a joint proposal for the development of an administrative arrangement to bring about the necessary co-ordination (see Chapter 11). In addition, it is recommended that greater emphasis be given to inter-disciplinary research projects involving agricultural economists and the natural scientists. This inter-disciplinary research should cover the entire spectrum from production through to the international markets. Special budgets and administrative arrangements should be developed to encourage inter-disciplinary research in both the Federal Department of Agricultural Industry and in University Faculties of Agriculture.

We now turn our attention to areas of commodity research which require particular attention from the market point of view.

A study by the Economic Council of Canada indicates that Canadian wheat yields have been lagging behind our international competitors.[8]

> In Canada the most important crop is wheat, which has traditionally accounted for the largest portion of Canada's agricultural exports. In international comparisons of wheat yields per acre, not wheat quality, Canada ranks low and appears to be falling further behind. After the Second World War, Canada ranked about twentieth in wheat yields per acre among major producing countries; today Canada ranks about twenty-eighth.

The Economic Council noted that the U.S.A. had proportionately twice as many resources devoted to wheat research as compared to Canada.

The yield factor will become increasingly important if Canada is to be fully competitive from a price point of view. Current research relating to hybrid wheats appears to have considerable promise and should be given considerable priority.[9]

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[8] *Fifth Annual Review*, "The Challenge of Growth and Change," Economic Council of Canada, September, 1969, p. 92.

[9] Shebeski, L. H. and McGinnis, R. G. "Advancing Technology in Wheat Production", a paper prepared for a Wheat Marketing Seminar, Dept. of Agricultural Economics, University of Manitoba, December 3, 1969. Shebeski and McGinnis estimate that hybrid wheats have the potential to increase yields by as much as 50 per cent in the foreseeable future.

In addition to yield, quality is becoming an extremely important factor in the wheat markets of the world. The need for the development of high protein bread wheats of predictable quality and uniformity is imperative if Canada is to retain her position in the traditional wheat markets. Closely related to the need for increased emphasis on wheat breeding research is the need for continuing work in the area of cereal chemistry and milling technology.. Advances in milling and baking technology, particularly in Britain, have had a profound effect on Canada's wheat exports during recent years.[10]

If Canada is to meet the export market demand for high protein bread wheats of predictable quality and uniformity, techniques for the protein grading of wheat will have to be developed. The work initiated by the Board of Grain Commissioners is a commendable step in the right direction.[11] However, much more research remains to be done before a practical system of protein grading can be developed.[12] An additional problem of immense significance relates to the implications of protein grading for land use in Western Canada.

Potential markets for Canadian rapeseed appear to be very promising but the Task Force found appallingly little (but highly productive) research devoted to this important area of Canadian agriculture.[13] If Canada is to remain competitive in the export of rapeseed to countries such as Japan much more research is needed to increase both the oil and protein content of the rapeseed.[14] The protein content of rapeseed meal must be increased substantially to compete with soybean meal, a major export from the U.S.A. Spectacular progress has been made by Russia in increasing the oil content of sunflowers, a major competitor with Canadian rapeseed oil. Much more research is needed to eliminate the thioglucoside components and to reduce the fibre content of rapeseed meal, if the meal is to compete with soybeans in animal feeds.

If Canada can become more competitive from a price and quality point of view, the markets for rapeseed oil and meal are bright. One estimate suggests that Japan alone could require in the neighborhood of 500,000 tons of rapeseed in the foreseeable future.[15] Research can play an extremely important role in keeping Canada in the forefront of the rapeseed markets of the

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[10] Irvine, G. N. "Technological Advances in the Milling and Baking Industries and their Effect upon Markets for Canadian Wheat". Paper prepared for a wheat marketing seminar; Department of Agricultural Economics, University of Manitoba, December 3, 1969.

[11] See Martens, V. and Hlynko, I. *Protein Content of Canadian Wheat,* 1927-1968, Board of Grain Commissioners, Canada Department of Agriculture, 1969.

[12] *Board of Grain Commissioners, Winnipeg, 1969.* See Anderson, J. A. "Introduction of Protein as a Grading Factor for Wheat-Options and Implications," a paper delivered to a Wheat Marketing Seminar, Dept. of Agricultural Economics, University of Manitoba, December 3, 1969.

[13] See, for example, *Proceedings of the Second Annual Meeting of the Rapeseed Association of Canada,* Regina, March 3-4, 1969.

[14] See report of a two-man team of Canadian scientists who visited Japan March 8-22, 1969, on behalf of the Rapeseed Association of Canada; See also Stefansson, B. R. "Plant Breeding and New Variations of Rapeseed." *Proceedings of the Second Annual Meeting of the Rapeseed Association of Canada,* Regina, March 3-4, 1969.

[15] *Rapeseed Mission, Japan,* March 8-22, 1969, Rapeseed Association of Canada.

world. The Task Force commends, in particular, the Rapeseed Association of Canada which has encouraged and supported a market-oriented approach to rapeseed research, an approach which should be emulated to a greater degree in other types of commodity research.

The Task Force has noted elsewhere in this Report, the decline in Canada's exports of feed barley at a time when world trade in coarse grains has been expanding. If Canada is to capture a larger share of these markets, further research will be necessary to develop higher yielding varieties of coarse grains and feed wheats. If the Task Force's recommendation for a more competitive pricing system for coarse grains is adopted, the significance of higher yielding feed grains will become readily apparent. Competitive prices in the export markets of the world which at the same time yield the producer a reasonable return per acre will only be possible if yields are increased substantially. In the final analysis, it is not the price per bushel but rather the net income per acre which is of vital concern to the farmer. The Task Force reiterates, however, that higher yielding grains are of no avail if inflexible pricing and marketing quotas prevent the farmer from competing. As one western producer explained it,[16] "We believe many more Manitoba farmers prefer the challenge of market opportunities rather than the restrictive policies of our present quota system on feed grains."

If Canada is to achieve the 100 million bushel export target for barley, a competitive pricing system supported by an aggressive program of research in marketing, farm management and the natural sciences appears to be the approach which must be taken. A 25 per cent increase in feed wheat or barley yields would enhance considerably the competitive position of the Canadian producer in the export markets of the world.

The possibility of developing Canadian barley and rapeseed to the point where they could become more competitive with American exports of corn and soybeans should not be overlooked. The payoff to Canadian farmers on research of this type could be enormous, particularly in countries such as Japan where increased livestock production will create a growing demand for high carbohydrate-protein animal feeds.

Many other areas of agricultural research could be cited for attention. In general, the Task Force recommends that high priority should be given to those areas of research where substantial market opportunities appear evident and where research has a significant role to play in helping Canadian producers realize these opportunities. For example, research relating to the development of a strong and vigorous feeder cattle industry warrants high priority given the export prospects for this sector of Canadian agriculture. This implies the need for a strong program of marketing research in Canada and the willingness of research administrators to allocate their budgets and organize their research programs in line with the potential market opportunities for Canadian agriculture.

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[16] Proceedings of a marketing seminar, Brandon, Manitoba, March 5-6, 1969, Manitoba Dept. of Agriculture.

The Task Force emphasizes above all that the benefits of agricultural research to the farmer will not be realized unless pricing and marketing policies are developed which permit the results of the research to be transmitted to the market place. It is fruitless for example to spend millions of dollars on research which increases the yield of grain if the pricing and marketing policies are so inflexible and restrictive that the increased grain yield must be stored at great public expense. At the same time, agricultural scientists must become more conscious of the needs and opportunities of the market place; more emphasis on market-oriented commodity research is required.

To the extent that food consumers in Canada benefit substantially from the results of agricultural research, the Task Force notes in passing that budgets for agricultural research should not be regarded as being of exclusive benefit to farmers. The fact that prices for many agricultural commodities are no higher than they were several decades ago, while the prices of most other goods and services have increased very considerably, indicates that the productivity gains in agriculture have been passed along to an important degree to the domestic food consumer.

## RECOMMENDATIONS

The Task Force recommends:

1. That the amount of resources devoted to agricultural economics research in Canada be doubled within the next five years.
2. That the Canadian Wheat Board proceed immediately to develop a strong marketing research department.
3. That the national farm organizations be encouraged to develop an adequate research staff for the purpose of conducting studies and investigations relating to agricultural marketing and policy matters; that serious steps be taken by the Federal Government and the Wheat Board to meet the repeated request of western grain producers to have a deduction made on their grain sales through the Wheat Board to support producer-sponsored research.
4. That all provincial marketing boards be encouraged to develop strong programs of research relating to their particular problems and policies.
5. That the proposed Economics and Business Branch of the Department of Agricultural Industry develop a continuing program of commodity marketing research.
6. That a great deal more emphasis be placed on market-oriented commodity research in the Research Branch, Department of Agricultural Industry.
7. to ensure that the commodity marketing research of the Economics and Business Branch is closely integrated with the work of the scientists and engineers of the Research Branch, it is recommended

that the heads of these two branches be requested by the Minister, Department of Agricultural Industry, to produce a joint proposal for the development of machinery to bring about the necessary co-ordination.

8. that the Economics and Business Branch of the Department of Agricultural Industry develop a strong program of research relating to the agricultural business sector of the Canadian economy.

# part four

## LOW-INCOME SECTOR

# chapter sixteen

## THE LOW-INCOME SECTOR

### INTRODUCTION

The most perfect of economic plans is impractical and unacceptable unless it fully takes into account the human factor. The really poor one-third of the farming population is the sector which puts to the test the humanity and perceptive sensibility of planners. Before committing plan to drawing board a difficult concept must be learned and subjectively evaluated; the concept is that of poverty itself. The economic measure of income is not a sufficient measure. The poor are deprived of many things taken for granted by society, let alone an affluent society. Money is a factor but for the poor so are warmth, the opportunity to talk and be listened to with respect by someone outside the family, or a dentist within reach. How does the community reach poor people? How effective are Canadian methods of trying to reach them? What better ways can be tried to reach and do something for the rural "economic drop-outs"? The answer is not simply economic efficiency, productivity and viability.

The view is widely held that, of 430,000 farms in Canada in 1966, only a third or so are large enough, by today's standards, for long-run viability. The remaining two-thirds are by no means homogeneous but appear to fall into two groups of about equal size—a "middle" stratum of the moderately well-off, and a bottom stratum of about 100,000 who live in poverty. The middle stratum includes part-time and full-time farmers of varying degrees of success and for whom the future holds many uncertainties. Well-designed long-term policies are needed to ensure that some, in the middle stratum, move up to full economic viability that successful part-time patterns endure and that those better suited to other occupations can make the transition out of agriculture. However, the only factor distinguishing this group from the "poverty" level group below is that most of the present needs of its members are met, at least at a minimum level. There is no guarantee that ability, initiative or the spirit of co-operation is any more prevalent in the economically mediocre group than among the still less fortunate in the poverty group.

### *Will Time Solve The Problem?*

The continuing exodus from agriculture and in particular the declining number of small-scale farms (a drop of 100,000 in the five-year period ending 1966) encourages hopes that no special programs are needed to alleviate farm poverty. If one simply projects the 1961-66 trend, the number of small-scale farms remaining in ten years time would be very small. Unfortunately, a closer examination of the composition of this "trend" produces no grounds for optimism.

Roughly 50 per cent of the reduction in the small farm sector in the early sixties was due to expansion which placed farms into "sales classes" higher on the scale. This kind of upward mobility is very closely related to increasing sales in agriculture as a whole (from $2.3 billion in 1961 to $3.3 billion in 1966—an increase of 50 per cent). It would be most unwise to count on a 50 per cent increase every five years.

The other half of the decline in the number of small farms 1961 to 1966 represents the dissolution of farms as individual entities, as men quit farming altogether. While this group includes those farmers who left farming for other jobs, their numbers were relatively small. It is largely death and retirement of older operators which takes men out of agriculture. This means that, unless out-migration is greatly accelerated, the projection of further reductions in the small-farm sector is very closely related to age structure.

The analysis of census data is necessarily limited to the *net* change in numbers of farm operators between 1961 and 1966. One cannot know how many men left farming because the 1966 count includes men who entered farming in the five-year period as well as those who were farming in 1961. However, it can be shown that *net* withdrawals were limited to the age groups over 55 years in 1961: the latter showed a net decline of 62,000 operators whereas the age group under 55 years recorded a net *gain* of 12,000 operators. The calculation of net withdrawals is shown in the Task Force Position Paper.[1] The calculation is based on all operators but it is reasonable to suppose that the pattern for small-scale operators would not differ greatly.

Age of small-scale farm operators in 1966 is summarized as follows:

| | No. | Per Cent |
|---|---|---|
| Under 45 years | 84,277 | 36 |
| 45 to 54 years | 62,032 | 26 |
| 55 and over | 91,548 | 38 |
| | 237,857 | 100 |

[1] See *Low Income Sector in Canadian Agriculture*, a paper prepared for the Canadian Agricultural Congress by the Federal Task Force on Agriculture, Ottawa 1969, Table 3.

Many of those in the third group (age 55 years and over) will leave farming shortly; using the rate obtained from 1961-66, one can predict the disappearance of approximately 40,000 small farm operators in the next five years. But what of the large group of under 45's and those in the middle years, the men who entered farming after World War II? Since both groups had a *net gain* between 1961 and 1966, it is evident that significant reductions in the under 45 years class cannot be predicted unless there are much more effective policies to take men out of farming; in fact, it seems likely that policies to limit entry would also be necessary. The middle category presents even greater difficulty. Still well below retirement age, these are men with low mobility into other occupations and it is difficult to see significant reductions in their numbers over the next 15 to 20 years.

In short, the "small-farm" problem will be present for some years yet,[2] and it is likely that the numbers of the "really poor" will decline slowly because such a large proportion are middle-aged. Younger operators are under-represented in the poverty sector because so many have made an adjustment through part-time farming. It is possible that the numbers in the poverty sector will shrink through further extensions of supplementary earnings. It is also likely that the "poverty line" of $3,000 income will have to be increased and that technological change will continue to push into low income levels those units which are not suited to rapid change.

## REVIEW OF EXISTING POLICIES

### *Improving Off-farm Opportunities*

The most attractive answer to the problem of low incomes in agriculture is that labour move to employment in other industries. The process has been going on throughout the post-war era. Some difficulty was encountered during Canada's years of stagnation 1957-62, when unemployment averaged about 6 percent. In the last half of the sixties the Federal Government has added a manpower mobility and training program which attempts to help the under-educated and inadequately trained.[3]

*Training programs:* Manpower programs are important; they do much to upgrade the labour force and to see that labour market requirements are matched by a qualified labour supply. Their role in reducing the numbers of

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[2] Tending to confirm our view that off-farm migration will lead to no more than minor reductions in the poverty sector are some American statistics on farm population. In sharp contrast to the annual reduction in numbers of farmers over the past 30 years, the counts at January 1968 and January 1969 revealed no change. Tentatively, officials of the U.S. Department of Agriculture infer that the period of large scale movement to the city has ended; the farmers who remain, by and large, are expected to live out their lives on the farm. The facts are less well documented in Canada but it is probably safe to assume that the heart of the poverty problem centres on farmers in their middle years.

[3] The main services offered by the Department of Manpower and Immigration (established 1965) are educational up-grading and job training, information on job supply, and assistance to those moving to high employment areas. Most of these services have a longer history but have been expanded or given new emphasis since 1968.

farm poor, however, appears limited. The best hope is that Manpower programs will provide good non-farm alternatives to younger operators, to the sons of marginal farmers and to other rural youth who are ill-equipped to become modern farmers. This in itself would be a major contribution but it is unrealistic to look for any great impact in the ranks of the middle-aged who make up a high percentage of the farm poverty sector today.

Even to reach younger operators poses problems. For example, most training courses require at least a Grade 10 standing. This is not an insurmountable barrier since upgrading courses are offered from the Grade 7 level (and in a few training centres, from Grade 4). Obviously, however, efforts of this kind will not appeal to every marginal farmer whose education is deficient.

*"Reaching" rural people with training programs:* "Reaching" rural people who could benefit from training and other Manpower services is difficult. Observers of the American Manpower Development and Training Act, five years after its inception, report that programs to enhance mobility have been very limited in effect in rural areas. It is reasonable to assume that the problems are similar in Canada considering that only the unemployed have been eligible for moving grants and loans—the number of Canadian farmers who have been helped to move to jobs must be almost nil.[4] More effective penetration of rural areas is possible given new techniques such as mobile clinics. It is justifiable to intensify efforts to train rural youth for non-farm employment but not necessarily so to train established farmers. Income levels for low-skill occupations in the city are also very low and living costs are higher. A study of rural-urban comparisons in the Atlantic provinces and the Gaspé, concluded that those remaining in depressed rural areas were right not to move.[5] While this judgment applies to workers without special training (which would improve the picture) it is essential that no general decisions on training and moving be made without asking such specific questions as what training? For what jobs? For what pay?

A trap to be avoided is that of regarding a small payment to a low income producer as wasteful but considering the alternatives—a large welfare payment or expenditure on training—as somehow more desirable. Thus, a small income supplement which keeps a 50 year old milk producer in operation in his own community (albeit depressed) is not necessarily less desirable than a program which trains him, moves him and *perhaps* employs him for a few years at a "viable wage". Keynes made an interesting observation thirty years ago on a similar point.

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[4] In 1966-67, only 2,100 persons in Canada received loans or grants for moving. Eligibility requirements have been eased, in 1969.

[5] Jane A. Abramson, *Barriers to Population Mobility;* Centre for Community Studies, June 1968.
A similar inference may be drawn from Bishop's study of migration which showed little reluctance among rural people to take advantage of *bona fide* employment opportunities even if the change meant moving long distances. C. E. Bishop, "Economic Aspects of Migration from Farms in the United States", *Labour Mobility and Population in Agriculture,* Ames, Iowa, State U. Press, 1961.

It is curious how common sense wriggling for an escape from absurd conclusions, has been apt to reach preference for *wholly* "wasteful" forms of loan expenditures rather than for *partly* wasteful forms, which, because they are not wholly wasteful, tend to be judged on strict "business" principles. For example, unemployment relief financed by loans is more readily accepted than the financing of improvements at a charge below the current rate of interest . . . [6]

*High employment levels:* Emphasis must be placed on job supply as much as on labour mobility. Non-farm employment as a solution to the problem of low income farmers, faces competition from the unemployed (432,000 in April 1969), and about 200,000 additional workers joining the labour force each year, as well as from the low income people of rural Canada. Of a similar situation in the United States, M. L. Upchurch concluded:

With present rates of growth in the labour force and a flood of urban youth to accommodate, the prospects for solving the rural poverty problem by outmigration appear dim.[7]

### *Bringing Industry to Rural Areas*

The Canadian anti-poverty program has also attempted to create new jobs in economically lagging areas through financial incentives influencing the location of plants.[8] The program seems not to have worked with equal effectiveness in all areas.[9] The Georgian Bay region, for example appears to have derived great benefit, both in terms of increased employment and the introduction of "growth" industries which, in turn, have led to significant improvements in wage levels. In New Brunswick however, the impact of ADA grants is believed to have been rather small. In New Brunswick the new industries established were more traditional (most of them were resource-based), gave chiefly low-skill, low-wage employment and generally failed to find industrial linkages through which secondary employment might have been generated by the ADA plants. A main reason for the better results in the Georgian Bay area is obviously the proximity to major markets in southern Ontario. As the authors of the study point out, it is probable that industry would have been moving in within ten years anyway, and that ADA's chief contribution lay in speeding up the process. In areas which have no real advantages to begin with, industrial incentives may be quite incapable of sparking genuine development.

Rural "industrialization" is highly relevant to a discussion of the farm problem because "bringing industry in" is the solution most strongly favoured

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[6] Keynes, J. M., *The General Theory of Employment Interest and Money,* Macmillan, 1969, *A Brief on the Work of the Area Development Agency Program Assessing its Impact on Poverty.*

[7] *Journal of Farm Economics,* May, 1964.

[8] The program began in 1963 under the Area Development Agency of the Dept. of Industry. Somewhat modified, the program in 1970 is directed by the Dept. of Regional Economic Expansion.

[9] Research on this subject is still preliminary. See Special Senate Committee on Poverty, 1969, *A Brief on the Work of the Area Development Agency Program Assessing its Impact on Poverty.*

by a great many farm people. It is the dispersion of industry to rural backwaters that is wanted by a high percentage of political supporters, although it does not always work. The ADA program in New Brunswick, it is agreed is a weak type of development. In fact, industrial dispersion of this type is no longer an objective of policy. Instead the industrial incentives program is now strongly oriented to locating industry in larger towns and cities which are to act as "growth centres".

In summary, industrial incentives seem capable of adding to employment in slow-growth regions through development of growth centres. A good case could be made for location grants to meet the growing problem of congestion in the larger metropolitan area, establishing industry in satellite cities and in smaller centres having good transportation links to existing industrial areas. Growth centres of this kind might be particularly helpful to rural people in increasing the availability of part-time employment. However, there can be no thought that incentive grants or any government programs have the power to put industry wherever there are farm and other rural people in need of employment. Finally, as with Manpower policies, it is unlikely that off-farm employment can draw off large numbers of farmers from the poverty category.

## ARDA

The main thrust of the Canadian poverty program in rural areas has been provided by the Agriculture Rehabilitation and Development Act of 1961. The thrust has been considerably blunted because ARDA was never simply an anti-poverty program. The major objectives are (1) to raise incomes "in rural areas", including farmers generally, not merely the poor and (2) to improve resource use both as a means to raise incomes and as an independent objective.[10] The latter—improved resource use—underlies a high percentage of the major ARDA programs.

As noted, it is possible to divide Canadian farmers into three roughly-equal economic groups. One group is viable, one is neither well-off nor poverty-stricken, and one is below the poverty level. ARDA programs have been of much greater value to the middle group than to the poverty-level group, largely because of ARDA's emphasis on improving resources and resource use. The purchase of marginal land for parks, recreation or forestry may bring about improved land use and provide poverty-level farmers with immediate cash from their sale of property but it does little to provide them with an alternative source of livelihood. Help offered farmers on their land often involves heavy expenditures on drainage and clearing; small farmers find that they are not in a position to take on the substantial obligations involved but the middle group are better able to do so. In the case of

[10] For a more extensive discussion, see H. Buckley and E. Tihanyi, "Canadian Policies for Rural Adjustment, A Study of the Economic Impact of ARDA, PFRA and MMRA." Prepared for Economic Council of Canada, October 1967.

community pastures, which represent a major ARDA expenditure, the chief beneficiaries have tended to be viable or middle income farmers.

While there is no doubt that some small farmers have received extra income through ARDA programs, public funds could have had greater effect on those below the poverty line if programs had been selected from the stand-point of how best to relieve poverty rather than to improve the use of the land.

Recognizing this indirect limitation, the second ARDA agreement (1965—renamed Agricultural and Rural Development Act) provided a new cluster of programs intended to speed the removal of small-scale operators and to channel land thus released to operators who could become viable. The programs deal with impediments to the natural process of farm consolidation: on the sellers' side stagnation in the land market are offset by ARDA's willingness to purchase farms; the lack of knowledge concerning off-farm opportunities or lack of money to retire is countered by help in contracting Manpower services and providing income supplements to retiring farmers. On the buyers' side ARDA helps expanding farmers gain access to land, often at lower cost. Farmers also receive grants for land improvement, loans and individual counselling services to improve prospects for the consolidated farm unit.

Farm consolidation is now a major ARDA program in Ontario, Quebec, Nova Scotia, P.E.I. and the Interlake area in Manitoba. On the face of it, the programs appear admirably suited to effect the kind of adjustments most needed. Certainly, excellent work is proceeding. On closer examination, however, there seems to be two serious defects.

What happens to farmers selling out? The consolidation program improves the lot of those sellers who are suited to enter the federal Manpower program provided Manpower services are readily available. A commendable feature of the Ontario plan is the supply of counselling staff to assist the Manpower program in rural areas. For older operators it may work the other way, however, because the average purchase price is too small to guarantee retirement income.[11] The same could be said of the poorly-educated and the ailing, too young to retire but not easily fitted into the labour market. These difficulties are surmounted in the FRED program for eastern Quebec which explicitly provides social assistance to any sellers not moving into the Manpower program. Ontario offers limited income supplements (to bring total income to $1,200) to sellers in the age group 55 to 64 years.

Another important consideration is the likelihood of farm assets increasing in value in any area with an active land market. On average the value of land and buildings of small farms increased by 50 per cent between 1961 and 1966. The appreciation must be taken into account as a form of income. It must therefore, be very clear that the total income which sellers can earn later will exceed their small farm income, any part-time earnings and the appreciation of farm values, before sellers are encouraged to sell their farms.

[11] $5,000 in Nova Scotia, $6,000-$9,000 in Ontario.

At times the desire to encourage consolidation seems to have become almost an end in itself and has obscured the question of what happens to those who have sold out.

A second question is whether a tendency exists to help farmers who do not need it. Turning to the buyers' side, it seems generally agreed that farm consolidation programs are not for farmers in the very low income levels but for those in an intermediate position—neither well-off nor poverty stricken. Where farms are small, even a doubling in size may add only a few hundred dollars in income and the costs incurred (by the farmer as well as by ARDA) are likely to be disproportionately large. One can therefore agree with the prevailing ARDA view that farm consolidation programs are properly directed to a particular class of farmers; namely, those who do not quite meet the standards of existing credit sources but who, with some land added and a generous infusion of management services, would be able to obtain credit and ultimately, a position of full viability.

From the industry standpoint it is clear that these are the farmers to assist. The difficulty is that such farmers, by definition, are not the really poor. Desirable as it is to help them, it should not be thought that ARDA programs get through to effectively assist the really poor. Moreover, as the plan has operated in Ontario and possibly elsewhere, not all farmers qualifying for assistance could be said to lack access to conventional credit.[12] ARDA officials claim that this is due to special and temporary situations, notably the desire to establish large-scale ranching units in northern Ontario and the absence of a suitable candidate in other areas where land had been purchased. From Manitoba's Interlake comes evidence that larger farmers from outside the district where programs apply are purchasing land under the consolidation plan.

Looking at the positive side of the land consolidation program, it is clear that under its auspices, ARDA field staff are providing services which have long been needed in areas such as P.E.I. and the Gaspé, and have demonstrated an impressive ability to deal with such problems as fragmented land parcels, low levels of farming knowledge and lack of money for expansion. The program provides a service of benefit to the "middle stratum" of neither well-off nor poverty stricken.

In principle, ARDA is a new approach to the problems of low income people in an industry going through evolutionary change. Instead of the traditional approach of trying to raise low farm incomes by increasing prices of the products sold, ARDA attempts to bring about structural changes in the farm units themselves and in marginal rural communities. Unfortunately, ARDA now suffers from excessive expectation by its early supporters; the principles have been hard to translate into practice and into effective programs and results. It is to be expected when attitudes must be re-examined

[12] Data for the first year of operation in Ontario, reported by size categories, showed the consolidating farmers to have average assets above $35,000 and above $50,000 in 40 per cent of the cases.

and changed by the people holding them (not only the poor but also government officials); it is expected when attempts are made to promote local participation and leadership, and when research and administration experience in this direction are in short supply.

The disappointment remains. The range of programs offered under ARDA is still surprisingly narrow. The choice of programs (which rests with the provinces) reflects varying interests and financial ability but as a general rule programs of industry-assistance have tended to take precedence over attempts to deal with rural poverty as such.

## FRED

At mid-1966, the commitment of federal funds under ARDA amounted to $62 million of which about half had been spent. Contrasted with the $85 million to be shared between the Federal government and a single province to implement a plan in Manitoba's Interlake (pop: 58,000), the scope of comprehensive area planning as provided by FRED (Fund for Rural Economic Development)[13] is placed in better perspective. In most cases FRED plans represent an all-out attack on poverty, co-ordinating the services and programs available elsewhere and adding to them.

FRED plans in Gaspé and the Interlake provide for drastic reductions in farm population to a point defined by the number of viable farms the resource-base will support. A high proportion of the redundant farmers are treated as probable retirements and the number of farmers to be accommodated under Manpower programs is relatively small. Manitoba planners have not specifically dealt with the problems which retirement may pose. Although it may be assumed that provincial welfare services will automatically be extended to low income farmers who cannot be fitted into Manpower programs, one feels that Quebec's approach is more deserving for the explicit recognition of this need. Under Quebec's plan, any farmer who moves out of a marginal parish is eligible for welfare as well as for training. Further flexibility is evidenced in the provision for a semi-retirement category: older operators are assisted to undertake a modest expansion in their farm operation if they so desire.

Under FRED is massive investment in education upgrading, training and manpower mobility. There is an attractive special feature of the Quebec plan which recognizes that not all individuals are capable of rapid absorption into the labour force. Given their present level of general and vocational training provision is made for a second group of trainees requiring "special rehabilitation programs over a more or less long period". These, presumably, are from marginal farms, have a very low level of education and a long history of dependence on welfare.

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[13] FRED plans have been launched or announced for: the Interlake; Lower St. Lawrence-Gaspé; two regions in New Brunswick and one for the Province of Prince Edward Island. A plan for nine counties in Nova Scotia was pending in 1969.

Much of the total cost under both the Manitoba and Quebec plan is for field workers, who are in the communities to make opportunities known, to advise on access to government programs, to supply individual and group counselling services, to assess prospects for individual farm units and advise on expansion where feasible.

Industrial development seems to have been given less emphasis than training and mobility, although certainly there will be large investments in infrastructure. Strong efforts are also to be taken to encourage growth of industry, notably tourism. Quebec plans make out-migration an explicit objective; the Manitoba plan gives more emphasis to increasing employment within the region.[14]

Quebec offers a bold approach to the fact that some people will usually remain in marginal communities whatever is done to increase mobility. Incentive grants will be paid to encourage not just single families but all families to move out. Three larger towns within the region have been designated as growth centres and these will receive grants for municipal services to meet the influx of an anticipated 2,500 families, mainly low-income.

An important feature of both plans—one which greatly improves the chances for "success"—is that community consultation was assigned a high priority in the planning process. It appears that the wishes or priority demands of residents are reflected, insofar as it was possible to do so, in the priorities of the plans themselves. It seems that slow progress in implementing the plan for north-eastern New Brunswick, where community consultation was not a prominent feature, reflects the failure to win full acceptance for goals and procedures in the communities concerned.

## DEFINING THE LOW INCOME SECTOR

Anyone dealing with the question of low incomes encounters problems of definition and measurement. The first is a problem of concept—what is a "low" income? Is it low relative to one's needs or desires—if so the same money income may be low for one person and high for another, or low in a community where living standards and cost of living are high and high in a largely self-sufficient community. In practice, the technique has been to ignore individual aspirations and to select, fairly arbitrarily, a level of income based largely on physical needs. Thus the Economic Council of Canada in its Fifth Annual Review, defined as a state of poverty in 1961 an income of $1,500 for a single person and $2,500 for a family of two, with an extra $500 for each child.[15] No regional variation was introduced.

[14] This may be related to the Interlake's special problem of Indian-Metis predominance among the poor. If this is so, it appears that the problem of lower capacities for the adjustments imposed by migration is not necessarily best handled by single-minded concentration on creating local jobs—which may not go to the Indian and Metis in any event. Quebec's provision for special rehabilitation programs appears more appropriate to meet this problem.

[15] Economic Council of Canada, *Fifth Annual Review*, "Challenge of Growth and Change", September 1968. Based on D.B.S. consumer expenditure surveys, the criterion is the inability to purchase much more than the basic essentials of food, clothing and shelter.

The second problem is one of measurement. In the case of farmers this is particularly difficult because farm income data relate to cash sales rather than net income, because income data are not related to size-of-family data and because farm income data are not related to off-farm incomes. Farmers with good wages from a second job must be distinguished from other part-time farmers who earn next to nothing in non-farm employment. A small farmer with the old age pension will fare much better than his younger neighbour with similar farm income. Large families live in straightened circumstances where a couple might find the income adequate. Added to these and other limitations of income statistics are the limitations of income as a measure of poverty. For example some farmers reporting low farm incomes have nevertheless accumulated substantial assets over the years. Even if assets are modest, the older farmer who owns his home may be distinctly better off than a low income tenant of the same age in the city or in the country. On the other hand, there are many low income farms (particularly in marginal areas) whose capital value is very low; pension plans are absent and the owners are likely to be extremely hardpressed as physical powers decline.

It is apparent that "low incomes" and "small farms" tend to be associated fairly closely, although they are not identical, as explained above. Without attempting any precise definition of what constitutes "commercial" agriculture, it is safe to characterize as small or "non-commercial", those farms reporting under $5,000 gross sales. About 238,000 such farms were enumerated in the 1966 Census, 55 per cent of all farms in terms of numbers account for only 14 per cent of agricultural production. The total value of sales from this sector equals the sales from 6,000 or so of the largest farms.

The small farm sector so defined includes 75 per cent of all farms in Quebec and the Atlantic provinces, the northern fringes of Ontario and the Prairies. Small farms are by no means confined to these areas, they are found in higher income areas too; about 30 per cent of all small farms are to be found in the Prairies and Ontario (excluding their northern fringes and Eastern Ontario).[16] Also 35 per cent of the farms on the Prairies (excluding northern fringe) had sales of less than $5,000 in 1965.

In spite of the problems discussed above, it is essential to ascertain the size of the low income problem in farming. Using the rough guidelines selected by the Economic Council in the Fifth Annual Review, a state of poverty is defined for a family with one child as an income below $3,000 in terms of 1961 dollar values. Since data on farm income cannot be related to family size, subsequent discussion will assume an average family with one child. This figure has not been adjusted upward to meet the rise in price levels since 1961. On balance, then, the poverty-line of $3,000 per farm family should be adjusted upward to meet the absolutely rock-bottom minimum in terms of the needs of most farm families in the 1970's.

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[16] See *Low Income Sector in Canadian Agriculture*, a paper prepared for the Canadian Agriculture Congress by the Federal Task Force on Agriculture, Ottawa 1969, Table 3.

Consider the income from farming operations which may be inferred from gross sales reported to the Census. Calculation of net income (including income in kind and an imputed rental value of the farm house) suggests that farm sales of $3,750-$5,000 yield an average net income of $2,469.[17] Since farms with lower sales have even lower incomes, this means that virtually all the 238,000 farms below $5,000 sales in 1966 would have less than $3,000 in farm income; a large number would be well below the $3,000 line.

The average of approximately $2,500 is well below the $3,000-$3,500 poverty line. This allows some leeway for such factors as: (1) gross sales tending to be under-reported in the Census, (2) imputed rental values of the farm house being below the cost of equivalent accommodation in urban areas and (3) minor supplementary income of a kind not included in the calculations below.

Certain farms in the over $5,000 sales class are doubtless near or below the poverty line defined above but with average assets of $43,000 (in the sales class $5,000 to $7,499) it seems best to exclude the group as a whole in attempting to measure poverty.

However, among the 238,000 small farms (less than $5,000 sales) in 1966, about 45 per cent of the operators had some off-farm work and 15 to 20 per cent had full-time or almost full-time jobs. Altogether, the small scale operators contributed 18 million days of work to non-farm industries in 1966. The earnings received are not known but even at moderate wages (say $15 a day) an additional $270 million income could be added to the $460 million that small farmers derived from sales of agricultural products. Obviously off-farm earnings put many small farm families above the poverty line. The question is, how many? The following calculations in Table 1 supply an approximate answer:

—Net income from farming (average for each of five census sales categories) is subtracted from the $3,000 poverty line. The difference called "income deficiency"—indicates the amount of non-farm income needed to put the family over the line;

—"Income deficiency" is converted into "days of work" needed, assuming an average wage of $15 a day;

—the number of small-farm operators reporting that much work or more in the 1966 Census is then simply listed. The last column contains those reporting no off-farm work or not enough.

One limitation of the estimate is the assumption that off-farm work of any kind returns the same income of $15 per day. In fact, there are substantial

[17] From J. M. Fitzpatrick and C. V. Parker, "Distribution of Income in Canadian Agriculture," *Canadian Journal of Agricultural Economics*, 1965. Although the relationship between net and gross was calculated from the 1958 survey data, the fact that D.B.S. aggregates for net and gross showed precisely the same relationship in 1966 (net income = 45 per cent of cash receipts in both years) seems to mean that approximately the same net income should apply in 1966 for the several sales categories.
For greater detail on the points covered here and below, see the Task Force Position Paper cited in footnote 16.

TABLE 1

Off-Farm Income of Small Farm Operators, Canada 1966

| Gross sales per farm | Estimated net income from farming | "Income deficiency" | Days of off-farm work needed | Small farm operators reporting: enough days[1] | Small farm operators reporting: not enough days[1] |
|---|---|---|---|---|---|
| | (dollars) | (dollars) | | | |
| $3,750–4,999 | 2,500 | 500 | 33 | 11,201 | |
| 2,500–3,749 | 1,900 | 1,100 | 73 | 12,078 | |
| 1,200–2,499 | 1,200 | 1,800 | 120 | 15,875 | |
| 250–1,199 | 500 | 2,500 | 166 | 18,681 | |
| 50– 249 | | 3,000 | 200 | 9,961 | |
| Total | | | | 67,801 | 170,000 |

[1] Enough, that is to produce net incomes of $3,000.

variations. In low-income rural areas where dual employment takes the form of small-scale farming combined with fishing, forestry or casual labour, non-farm earnings are also low and rural wages tend to lag behind urban standards. Elsewhere, however, many of the part-time farmers are better trained and commute to jobs in factories, mines or operate road maintenance and construction equipment for relatively high wages.

The method used above is crude, admittedly but it is not without supporting evidence. By linking a sample of farm operators from the Census of Agriculture and the Census of Population for the census year 1961, D.B.S. has data presenting actual off-farm wages and salaries by farm operators. Adding wages and salaries to net farm income by sales categories produces a second calculation of numbers over and under $3,000 income (farm and non-farm combined) and one which inspires more confidence than estimates based on the number of days worked. Nevertheless, the two methods produce strikingly similar results for 1961: 16 per cent of all small-scale farmers are moved over the poverty-line by virtue of "enough days" compared to 13 per cent reporting enough wages and salaries. The latter can be raised to allow for income from self-employment; if we add those reporting self-employment income from non-primary industries, the second estimate is moved to within one percentage of the first.

The "days of work" method followed in Table 1 produces reasonably satisfactory estimates for 1966. It is apparent the majority of small-farm operators cannot be removed from the poverty category on the basis of their off-farm earnings. Although the amount of off-farm income is large in the aggregate, when added to farm income it still leaves two-thirds of all small farms below the poverty level of $3,000. Thus in 1966 there were 170,000 small-scale farmers who earned less than $3,000 from farming and other employment combined.

These men were truly "low-income farmers", yet not necessarily heads of "poor" families. Still further qualifications are in order. Firstly, family size as well as financial responsibilities generally decline with age and therefore certain elderly operators could be reasonably well off with less than $5,000 gross sales. Secondly, a variety of supplementary income sources are available over and above the operators' earnings from employment; these include earnings of other family members, pensions, rents, dividends and interest, family allowances, welfare assistance. Rough calculations from 1961 Census data suggest that "other sources" (including pensions received by the elderly) might remove as many families from the poverty category as were removed by the operator's earnings. In round numbers this results in a figure of approximately 100,000 farm families comprising the poverty sector.

## CONCLUSIONS

There seem to be three categories of farms. First, there are the large farmers with substantial incomes; these are the people who receive most benefit from research, extension, price subsidies and similar programs. Second, there are those farmers whose incomes are not large but who are not below the poverty line. Among these are some large farmers whose operations are not very rewarding, some small part-time farmers with considerable non-farm income and some of the more successful full-time small farmers. Third, there are the very poor—those whose income from all sources falls below $3,000 per family per year. Most of these are small-scale farmers; some are part-time but their off-farm income is small.

Of these three groups, the first is not considered in this chapter but is given a prominent place in all other chapters of this Report. The second is being assisted to a considerable extent under ARDA programs such as land consolidation, drainage improvement and other resource oriented activities. This is desirable, because without assistance many of this group could slip into the poverty category. The third group—the really poor—have been largely missed by programs up to this point with the exception of those in the FRED areas. For those in this group who are above 45-50 years, with few alternative skills, the best programs are probably those which keep them on the farm, help them make some minor improvements, provide income supplements and encourage their children to higher levels of education and to broader perspectives.

There appear to be about 100,000 farm families living in poverty in Canada even after non-farm income has been added to farm income. Only about one-third of the heads of these families are under 45 years of age—the more mobile age group. For many of the remainder it would be difficult indeed to shift to new locations and to new occupations.

Policies followed have been of three types: a Manpower program to move men out of agriculture and into urban jobs; a program of industry dispersion to make more jobs available in outlying areas and smaller centres; and finally, a number of rural-oriented programs under FRED and farm-oriented programs under ARDA ranging all the way from single farm adjustment to comprehensive area planning intended to bring about basic structural changes in regions and communities. All three approaches are desirable.

The first and second are primarily appropriate for younger people, the third for older people. More specifically, ARDA programs have been more relevant to the "middle stratum" of farmers—not well-off yet not poverty-stricken—rather than to the 100,000 or more poverty level farm families. Programs to strengthen the middle sector are desirable, certainly but the Task Force disagrees with the view that farm programs can only be directed to the nearly-viable and that all below this line are problems for the Manpower program—or for welfare. The programs which are supposed to take men out of agriculture are not going to remove the poor in large numbers. When these programs are evaluated realistically, it is obvious Canada has little to offer hard-core farm poor in most parts of the country.

Other than the welfare programs (which appear to fall short of urban standards and certainly suffer from comparisons with welfare programs in other countries) and some promising beginnings under FRED, the lowest-third in agriculture lies almost beyond the reach of present policies. Conversely, public policy must not be directed exclusively at the poor. It would be a tragedy to neglect those who are "moderately well-off" lest they become the poor of the 1970's. Nevertheless, it does appear that it is the poor who are not being adequately served by present policies.

## RECOMMENDATIONS

1. *Strengthen the Manpower Services Available to Farmers.*—Fortunately the naïve laissez faire position concerning low-income farmers "If they cannot make a good income in farming, let them do something else" has become discredited. It is in the national interest to help at least some of them become capable of doing something else and to help the remainder avoid living in poverty and indignity. Specific proposals to assist low-income farmers include:

(a) The creation of 10 mobile clinics in 1970-1971 in order to improve the "reach" of the Manpower program by taking to rural people the services which are now concentrated in urban centres. The mobile clinics are useful in several ways. They provide information on jobs, training opportunities and urban housing and access to a full range of counselling services both in rural communities and (for those who move) in receiving centres. The mobile clinics should also call at rural schools in order to discuss careers and point out the relevance of mathematics, English and other subjects to the jobs of the 1970's and 1980's. It cannot be stressed too often that with a working life of 45 years, a young man of 18 can condemn himself to poverty by not devoting a few more years to improving his qualifications as a worker. Mobile clinics need not be large; they might cost $100,000 each per year.

(b) The creation of small offices in major cities to help those who move to find housing, to be aware of social services available and to solve family problems arising out of the move from rural areas into major urban centres. Close co-ordination will be required between the mobile clinics and the existing Manpower centres on the one hand and the proposed major city offices on the other.

2. *Higher Levels of Employment.*—The extension of training and mobility services also presupposes that jobs are available somewhere. Merely to increase the number of rural clients will do little good if unemployment rates are high in cities. Policies which can create new employment opportunities are absolutely fundamental to war on poverty. Canada's record toward achieving the goal of full employment since 1954 has been poor; only in 3 years (1956, 1965, 1966) has less than 4 per cent of the labour force been unemployed. This poor employment record makes the 55 per cent decline in the farm labour force between 1946 and 1968 all the more remarkable.

3. *Improved Education.*—Although educational disparities between farm and city and among regions are not new, what is new is that unskilled labour—the traditional route out of agriculture—confronts a declining demand. The changing nature of labour force demand requires higher levels of education among rural people.

The alternative is to continue to suffer the ill-effects of an indigestible surplus of under-educated and inadequately trained, both in urban centres and trapped on the farm. While it is essential to distinguish between formal education arising from the municipal-provincial school system and skill training provided by Manpower, both are necessary to meet the problems of poverty. While all provinces are making efforts to improve rural education, it is doubtful if the poorer provinces can spend enough to help. Even the wealthier provinces are disinclined to commit resources on the necessary scale. The need is not merely for larger school units or higher salaries but for whatever it takes to raise aspirations and make rural students more nearly competitive in the labour market. This accounts for the proposal to create mobile Manpower clinics which would visit schools in order to discuss careers and education.

4. *Welfare and Social Services.*—Except for programs with universal coverage such as family allowances and old age security, present welfare services tend to serve the farm population much less well than city people. Unemployment insurance, for example, does not apply to farmers; health services are mostly poorer and disability allowances harder to obtain; many families live on provincial or municipal welfare at bare subsistence levels and in many districts the welfare budget is not adequate to cover all families in need. Because of feelings of independence or lack of knowledge of what is availa-

ble, low-income farmers receive much less welfare assistance than low-income city folk. A Saskatchewan economist states that his province has 15,000 to 20,000 low-income farmers but less than two dozen on welfare. To ensure that welfare, health and other social services are actually made available to rural poor, the Task Force suggests welfare officers be designated in each county or equivalent in order to indicate the services available. The direct result of this proposal is increased welfare payments.

5. *Guaranteed Annual Income Plan.*—A variation of the guaranteed annual income plan is the negative income tax scheme proposed in the United States. The negative income tax would eliminate many existing welfare schemes. Under one system suggested all individuals and families whose incomes are too low to pay income taxes would receive a payment amounting to one-half of their unused exemptions and deductions from the Treasury. Variations on this basic proposal have become fairly common. "Schemes of this sort provide and confine income transfers to households which really need economic assistance; condition payments solely on the basis of family income and family size, thus achieving a degree of equity in the treatment of low-income households not achieved by existing income transfer programs; are more neutral with respect to resource allocation, might stimulate incentives to work".[18] The incentive to work is built into the negative income tax plan through a rate structure which assures that no individual or family could be financially better off by avoiding employment.

A negative income tax program would embrace all sectors of the economy and not just agriculture and must be considered in that context. A universal system has several advantages but does not necessarily mean more help for poor people than could be had from filling the gaps in present services. It is not necessary, therefore, to await the results of studies now in process which may or may not lead to the implementation of the negative income tax; the important thing is to improve services and increase coverage in rural areas, immediately and until such time as a better system is devised.

6. *Small Changes For Older Farmers.*—There are many older farm people for whom mobility to other locations and occupations is undesirable. The Task Force is of the opinion that in the interests of dignity and self-respect for the individual, it is desirable to keep the welfare sector as small as possible and that the naive view that they "ought to do something else" is untenable. It may be quite inefficient to provide retraining and moving expenses and incur all the personal and social problems involved, for a few years of higher wage employment. All things considered—the poor prospects for other employment, the importance of pride and independence and the fact that whatever skills and experience these men possess are as farmers—it may often be the "best solution" to seek small improvements in farm income.

It is plainly not feasible to raise every submarginal farm to commercial status, nor is it advisable to attempt too much improvement—for example, to

[18] Christopher Green in *Conference Report,* Canadian Tax Foundation, 1967.

encourage large and costly additions to acreage, where management is weak and the life expectancy of the farm unit perhaps no more than 10 or 15 years. Certain types of improvements involve costs that are high relative to the benefits which can reasonably be anticipated, as ARDA has shown. The technique should be to provide assistance which can bring about small changes, perhaps a change in the crop pattern or a little added land; improvements in organization leading to lower costs—minor improvements which would provide a small boost to incomes (a few hundred dollars, on the average) but requiring no large investment outlays. This policy is an exception, it is one that includes transitional programs for older farmers only. Guarantees must be set up to ensure younger farmers are and remain excluded from these special efforts.

The major input required from governments is the supply of advisory services. The Task Force envisages: extension workers specially trained to deal with the lower levels of farming; to provide advice and encouragement on an individual farm basis and short-courses in the community, tailored to the needs of farmers not reached by existing programs. A few tentative steps along these lines have been taken in certain provinces (for example, in the FRED plan for eastern Quebec). Wider application raises at once the problem of availability of staff but it appears that the job does not have to be done by professionals. Alberta has used district farmers for advisory tasks in the Edson district; a spokesman for Manitoba's Department of Agriculture claims one of their most successful programs has been short courses given in local districts using "diploma course" graduates. The latter, it is felt, make better connections with small farmers than highly trained university graduates. The experience in eastern Ontario has been successful by operating on the same basis.

A major advantage of the above approach is that for the first time there would be staff with the responsibility for ensuring that programs do get to poor farmers who would be best off remaining as farmers.

7. *Community Approaches.*—Since net farm income is now only 5 per cent of national income, the Canadian economy can tolerate some inefficiency in the form of small-scale farmers. What cannot be tolerated is the bringing up of succeeding generations who are grossly handicapped for anything but a diminishing number of low-skill jobs. While young adults are leaving the rural areas in large numbers, it cannot be assumed that all are successfully absorbed in the urban labour force.[19] Because educational standards are low, the presumption is that many secure a precarious foothold and that many come back.

The measures proposed above will assist farm families but not the communities where so many of these families live. "Terminal" aid for small

[19] A recent survey of several parishes in the Gaspé and rural New Brunswick reported that only three of every ten offspring of rural families have moved to an urban place. "Given the large-sized families this means a high retention of offspring from such families in rural areas". Jane Abramson, *Barriers to Population Mobility, op. cit.*

farmers and enlarged welfare programs can hardly supply the tax base for radical improvements in education and other community services, yet such improvements are essential to improve the chances for the children of rural poor. Measures to encourage out-migration, though desirable, intensify the problems of poor communities in that they remove customers of village merchants, lower the basis groups. These are the reasons why effective programs for rural poverty must include a community as well as an individual approach.[20]

Comprehensive planning of the FRED type offers a number of promising leads; money for schools and roads; counselling services to acquaint people with alternatives; closing out of settlement in areas with no potential; strenuous efforts to increase employment in selected growth centres. This is a start but only a start—so long as comprehensive planning is confined to a few FRED areas in eastern provinces and an even smaller number of special development areas under ARDA. After all, the poorer districts in Ontario and the Prairies contain three times as many low-income farms as the whole of the Maritimes.

While not suggesting that FRED be extended to all rural areas containing poverty, the fact is several key programs which account for much FRED expenditure are already operational—Manpower mobility; incentive grants; in some cases, land consolidation. Outside the FRED areas these programs operate without a framework of research and planning to indicate what the long run goals for the community should be and without community participation in selecting goals and means. Co-ordination of efforts among programs is likely to be minimal, and the response from people who do not understand or approve the programs may leave something to be desired. There must be increased co-operation and co-ordination among programs and government institutions in areas not covered by FRED.

8. *Publication of Research.*—ARDA has spent considerable sums on research concerning community needs and development possibilities but apart from a few reports, most of the research work has not been published and is unavailable. This is a mistake.

9. *Special Rehabilitation Programs.*—Because all people are not capable of rapid absorption into the labour force, there must be provision in a few areas for special longer programs for those younger people who fail to meet the requirements of general and vocational training programs.

[20] "A firm government commitment to effective Manpower policies should be coupled with a firm commitment to share the financial burdens of maintaining a high level of social services, so that the unfavourable effects of out-migration will not be allowed to dissipate the gains from the adjustment process". Buckley and Tihanyi, *op. cit.* page 23.

# part five

## RECOMMENDATIONS

# chapter seventeen

## RECOMMENDATIONS

Each of the foregoing chapters concludes with the recommendations of the Task Force where applicable. This chapter brings together all of these recommendations for the convenience of the reader. It is strongly recommended that the reader consult the analysis of the chapters from which these recommendations are drawn.

### Part One

### THE STRUCTURE

#### *Chapter 1: Agriculture in Perspective*

*Key Recommendations*

The obvious keynote that permeates all our recommendations is that the government should intelligently assist an orderly and planned transition that will encourage agricultural adjustment to achieve the largest possible gains at the lowest possible tangible and intangible costs. Another theme running through all our recommendations is that governments should reduce their direct involvement in agriculture thereby encouraging farmers, farm organizations and agribusiness to improve their management and leadership functions and stand more self-sufficiently on their own. We assume that agriculture should be operated much as any other industry. If this is not feasible, the agricultural industry invites a degree of government paternalism that agriculture may not want. It is important to note that this in no way implies a reversion to anything approaching a simplistic laissez faire system. The system we propose in this Report includes institutions such as national marketing boards, stabilization programs etc. and is compatible with a contemporary complex industrial society.

The main principles of our recommendations, spelled out in detail in later chapters, are as follows:

1. The surpluses must be controlled and reduced to manageable proportions by reducing production drastically, if necessary. Where alternatives exist, production resources must be shifted to more promising market opportunities. Where such alternatives cannot be found, land and other resources must be retired.
2. Governments should provide temporary, limited programs of assistance for the crop switching and land retirement, necessary to cut surplus production. At the same time this Report emphasizes programs to expand demand, particularly on the international scene.
3. Agricultural subsidies and price supports that are not effective and efficient in achieving worthwhile high priority objectives should be phased out.
4. Younger non-viable farmers should be moved out of farming through temporary programs of welfare, education and provision of jobs in other sectors of the economy. Older farmers should be given assistance to ensure that they have at least a "livable" standard of living.
5. Improvement of management must be encouraged by providing seed money for management training, provision of information processing systems, market and price forecasts and other management tools.
6. The organizational structure of agriculture both in the government and private sectors should be rationalized. *Management by objectives, program planning and budgeting, cost-benefit analysis and other modern management techniques should be adopted.* Every public policy should embrace these principles and procedures.

### *Chapter 2: The Setting*

1. The Task Force recommends that publication of the Canadian Price Index of Commodities and Services Used by Farmers be suspended until it has been up-dated to truly reflect the costs of inputs.

### *Chapter 3: Goals*

1. All major stakeholders in agriculture should define their goals explicitly, indicating in quantitative terms wherever possible what it is that they regard as objectives. Such stakeholders include the two main farmer organizations, agricultural colleges, agribusiness trade associations, and other bodies which regard themselves as major stakeholders in agriculture.

2. The Department of Agricultural Industry (now Canada Department of Agriculture) should act as the initial catalyst to request a statement of goals from these organizations. These statements should be of value in creating the National Agricultural Advisory Council (N.A.A.C.) and the various commodity councils proposed in Chapter 11.

3. Thereafter the N.A.A.C. should sponsor periodic conferences on these expressed goals of major stakeholders and on the subject of "management by objectives". The process of definition and specification of goals by the stakeholders in the system must be a conscious and continuous one. Dispersion of interests in agriculture makes it imperative that the N.A.A.C in consultation with the Department of Agricultural Industry be prime-mover of the recommended system of evaluation of goals and management by objectives.

## PART TWO

## COMMODITIES

### *Chapter 4: International Trade*

1. The Canadian Government must take further initiatives (as opposed to merely reacting to others' proposals) in attempting to reduce tariffs on agricultural products. What is essential here is a re-appraisal of the old notion, that every tariff cut represents a loss and is to be bargained against similar cuts (assumed to be losses) by others. Canada must assert strong leadership in the direction of securing a resumption of trade discussions on a multi-lateral basis and insist on including agriculture. Failing success, Canada must be willing to join trade arrangements with small groups of nations, including where necessary, bilateral trade treaties (e.g. with the United States). Further, Canada must in international negotiations show a readiness to discriminate in agricultural and non-agricultural commodities against countries or blocs which impose restrictions on Canadian agricultural exports.

2. The primary specific trade goal of Canada should be to negotiate a free trade Continental Market with the United States for livestock and livestock products, feed grains, oilseeds, potatoes and some fruits and vegetables.

3. Government must be willing to subject other sectors of the Canadian economy to increased foreign competition. For example the so-called "voluntary quotas" on Japanese textiles and other manufactures adversely affect the willingness and ability of the Japanese to purchase Canadian grains and meat. If other sectors of the Canadian economy have not made the adjustments necessary to become competitive (as most of agriculture has), then it is time they were helped to do so by the pressure of competition.

4. Canadian agricultural development and farm incomes are adversely affected by tariffs on farm inputs and on inputs used in the agricultural

processing industries. These duties should be removed in the interest of making Canadian farm products more competitive, particularly in an international context. Appendix 1 to this chapter lists the more important input items on which such action should be taken.

5. Canada must experiment with pricing strategies aimed at meeting dumping of products by its competitors, e.g. 1968 and 1969 barley exports by France to Japan. This might be the best possible means to restore international competition to a commercial basis.

6. Increased trade promotion and trade development activities are required. Support and encouragement must be given for joint endeavours by farm groups, by the Federal and provincial governments, by trade associations and private business.

7. Export credit and export insurance. The Export Development Corporation must be fully competitive, in its time horizons and interest rates, with similar bodies in other countries. Credit terms are often as crucial to sales as are prices.

8. Canadian grades and grading must be improved on many agricultural commodities. Failure to move to protein grading has resulted in loss of wheat sales.

9. Emphasis must be placed on continuity of supply for export markets. Because export markets are residual markets for many products and often yield a lower net price than the home market, there has been a tendency to turn to them only in emergencies, a poor way to create a market for exports. British Columbia apples, controlled by a provincial marketing board present a sharp contrast to tobacco, winter wheat and white beans also marketed by provincial marketing boards.

10. Plan food aid to less developed countries. While the Task Force welcomes the break-through in the application of newly-developed grains in the developing countries, substantial food aid requirements will continue for many years. Canada's contribution to food aid needs should be carefully planned and involve commitments of specific quantities of specific foods for periods up to five years.

11. Market research must be greatly expanded. The research should reveal (1) size of markets; (2) quality of products demanded; (3) how markets are changing; and (4) market strategies for Canadian firms. Through research, government must attempt to anticipate international trade developments before they occur, pass along warnings and advise and give assistance to farmers so that they might take advantage of or avoid the impacts of such developments. The Task Force has observed that there is insufficient "forward looking" research and that there is a gap between those undertaking the research and the farmers who make production decisions.

12. Domestic farm policy must be made consistent with changing international developments.

### *Chapter 5: Wheat, Feed Grains and Oilseeds*

The Task Force recommends the following with respect to wheat, coarse grains and oilseeds:

1. That the marketing of wheat remain under the jurisdiction of the Canadian Wheat Board.
2. That the Canadian Wheat Board be placed under the jurisdiction of the Minister, Department of Agricultural Industry.
3. That Canada make no further concessions under the International Grains Arrangement until they are matched in full by other countries. Canada has suffered serious losses since the summer of 1967 by making unilateral sacrifices to bring into being and to sustain the International Grains Arrangement.
4. That a Transition Policy be established for wheat and barley commencing in the spring of 1970; that wheat acreage diversion payments amounting to $81 million for 1970 and $58 million for each of the two following years be used to reduce wheat acreage in the Prairies to 15 million acres until 1973; that a barley acreage diversion payment of $21 million be used for one year only to reduce barley acreage to six million acres in 1970; that delivery quota acreages be set at 56 per cent of the average of 1968-69 acreage for wheat and at 65 per cent of the average 1968-69 acreage for barley for the period during which the Transition Policy operates; that the program be administered by the Agricultural Stabilization Board.
5. *New Marketing Guidelines for Coarse Grains*

   That the Canadian Wheat Board continue to be responsible for all commercial purchases of barley and oats from the primary producer but that:

   (a) each purchase by the Wheat Board should be hedged in futures market at the time of the purchase or as an alternative, provision should be made by the Board to hedge daily a certain quantity of coarse grains in the futures market;

   (b) all coarse grains produced in a given crop year should be sold during that period with the exception of a normal Wheat Board operating carryover, the size of which should be announced each October by the Wheat Board;

   (c) all oats and barley delivered by the farmer should be accepted by the Wheat Board whenever offered except where delivery quotas are used in which case such quotas should be lifted entirely in May of each year;

   (d) the price paid to the producer should be a monthly pooled price.

6. *New Marketing Guidelines for Wheat*

   That at the termination of the Transition Policy all wheat produced in a given crop year should be sold during that crop year with the exception of a normal Wheat Board operating carryover, that the C.W.B. follow a more flexible pricing strategy, that "initial" prices be set low enough to permit price flexibility throughout the crop year; that prices paid to the producer for wheat should continue to be annual pooled prices; that delivery quotas continue to be used to provide for the orderly flow of wheat to the market throughout the crop year; that the basis for the delivery quotas be "wheat acreage" rather than "specified acres" as used at present.

7. That the practice of setting initial prices for barley and oats should be discontinued as soon as the proposed Prairie Grain Price Stabilization Program is introduced.

8. That a Prairie Grain Price Stabilization Program be instituted as soon as the current grain surpluses have been reduced to manageable proportions under the Transition Policy; that grain producers be provided under the Grain Price Stabilization Program with a minimum price support at a level equivalent to 80 per cent of the average of the local Wheat Board final prices for the preceding ten-year period; that the prescribed price support be applied to a calculated yield of wheat, oats and barley on one-half of the farmer's base acreage (average for the preceding three years) for each of those crops; that a revolving fund in the amount of $100 million be available for payments under the Program if prices fall below the prescribed minimum price support.

9. That the Temporary Wheat Reserves Act, The Prairie Farm Assistance Act, and the Prairie Grain Advance Payments Act be discontinued and that the monies normally used under these Acts be used to help underwrite initially the Transition Policy and following that the Prairie Grain Price Stabilization Program. The Program should make any future emergency programs unnecessary.

10. That the grain delivery quota system be used, if used at all, primarily as an instrument to facilitate the movement (within a given crop year) of grades of grain required by the market and to provide for the equitable treatment of farmers unable to deliver grain during any specified period of time within a given crop year.

11. That a protein-system of grading for wheat be established as soon as feasible; that a market-justified price premium for protein content be established; that guaranteed protein levels be established for export wheat; that land-use policies be developed to encourage the production of high protein quality wheat.

12. That the freight subsidy of feed grain movement from the Montreal freight zone into Eastern Quebec and the Atlantic Provinces be discontinued by August 1, 1970; further that the Federal Government make direct payments to the five provincial governments i.e. Quebec, Prince Edward Island, New Brunswick, Nova Scotia and Newfoundland of the equivalent of the average payment made over the past three years on all shipments beyond the Montreal freight zone. These payments should be used on projects designed to strengthen the agricultural sector in whatever way the five provincial governments see fit, e.g. transportation or adjustment subsidies. These payments to the provincial governments should be a fixed annual sum for a period of five years commencing in 1970 and should then be gradually reduced for a further period of five years with a complete discontinuance of the subsidies by 1980.

13. That the feed freight subsidy from the Prairies into British Columbia and as far as the Montreal freight zone be removed by August 1, 1970. The same recommendations should also apply to Ontario corn.

14. That the tariff on American corn be replaced by a variable import levy which would apply whenever free market corn prices in the United States fall below the United States floor price. If the support price were $1.05 and the free market price 95 cents per bushel, the variable import levy would be 10 cents. This would provide protection against serious distress prices for Canadian corn growers.

15. That the present marketing system for flaxseed, rye and rapeseed be maintained and that more flexibility be provided for storage of rapeseed at the Vancouver port.

16. That the Federal Government and the three Prairie Provinces jointly review the policies relating to the development of new lands and land clearing projects with the objective of preventing, wherever possible, the introduction of new lands for agricultural production at least until 1980.

### *Chapter 6: Livestock and Poultry*

1. Governments and producers should accept as a target the export of 500,000 feeder cattle per year by 1980 and the production of enough beef and veal to meet Canadian consumption demands in full. Federal and provincial programs of research, extension and credit should take this objective into account.

2. Canada should initiate discussions to remove *all* tariffs on cattle and beef in order to achieve a completely free continental market.

3. Dairy farmers in Quebec and Ontario (particularly in Quebec) should consider carefully the desirability of retaining calves which are now sold at low weights in order to produce heavier veal animals or feeders. Which of these alternatives should be followed will vary from time to time and will be determined by relative prices and the availability of other opportunities for income.

4. The Task Force commends the fact that discussions are currently underway concerning beef grading and recommends continuing review.

5. The Federal Government should direct some of the funds currently made available through the Temporary Wheat Reserves Act for payments to encourage diversion of resources from grain to cattle production.

6. The Canadian Dairy Adjustment Commission should include positive incentives for milk producers to move into beef production. These are discussed in greater detail in Chapter 7 on Dairy.

7. There should be no change in tariffs on poultry and eggs.

8. Tariffs on feed and on equipment used in producing and processing livestock and poultry should be eliminated. Details are given in the Appendix to Chapter 4, International Trade.

9. Any moves in the direction of national marketing boards for poultry or eggs must be scrutinized with the greatest care to ensure that it does not reduce efficiency. This subject was discussed in considerable detail in Chapter 12, Marketing Boards.

### *Chapter 7: Dairy*

1. The Canadian Dairy Commission should be renamed the Canadian Dairy Adjustment Commission. Its objective should be to assist milk producers to adjust their dairy enterprises so that the latter become profitable without extensive subsidies *or* to assist milk producers who have little prospect of financial success as dairymen to phase out of milk production and into other operations with the least possible personal and social dislocation.

2. The C.D.A.C. and provincial regulatory bodies must provide the kind of economic climate for processors and others involved in the dairy industry so that marketing efficiency may be improved. Such measures include:

(a) programs to bring about more stable milk production, especially seasonally,

(b) ending those regulations that inhibit the expansion and merger of processors and distributors.

3. The C.D.A.C. should announce its general programs at least five years in advance including ranges of prices or physical targets to provide flexibility in the later years. Quota policies and payments should be made explicit for a five-year period in order to allow rational planning and action.

4. The C.D.A.C. should revise its subsidy eligibility quota policy as follows:

(a) All holders of quotas should be offered a cash payment and if they accept, their quotas should be retired by the C.D.A.C. A payment of two or three times its current annual value is suggested.

(b) All quotas not retired by purchase should be made openly negotiable. There should be no upper limit to the amount of quota held by any one producer. The lower limit should be raised from the current 12,000 pounds to 30,000 in 1970-71 and progressively higher in subsequent years. This program should be announced in early 1970.

(c) The unit value of direct payments should be reduced progressively so as to disappear in 1976. The unit values per year and the terms under which quotas may be held and exchanged should be announced during 1970 for each year until they are phased out in 1976.

(d) The objective should be for C.D.A.C. to be out of its present subsidy programs by 1976.

5. The C.D.C., which has been buying skim milk powder at 20 cents per pound and exporting it at five to eight cents, should make powder available to livestock feeders at prices competitive with substitute ingredients. Presumably the C.D.A.C. would have to denature the powder by using a harmless vegetable dye and thereafter might sell it at prices close to those net prices currently received in export markets.

6. No public funds should be made available (with or without subsidy) for the expansion of skim milk powder processing facilities until the serious oversupply of powder has been overcome. Economic opportunities are available, however, for the production of specialty cheeses and limited assistance for initiatives in this direction should be considered.

7. Some of the funds currently made available to the C.D.C. should be used by the C.D.A.C. to provide positive encouragement for dairy farmers who wish to enter beef cattle production. These would take the form of adjustment grants during the two years or so required to establish a beef operation. Other assistance might take the form of temporary subsidies for artificial insemination by beef breeds. The principle here is the same as that enumerated in Chapter 5, Wheat, Feed Grains and Oilseeds in which the Task Force recommends that funds currently used under the Temporary Wheat Reserves Act should be used to promote adjustment from wheat production to forage. In addition, there are some areas in which assistance to dairy farmers who have profitable opportunities in cash crops would be justified.

8. The level of price supports for butter and cheddar cheese should be continued at current levels for several years but the offer-to-purchase level for skim milk powder should be reduced progressively each year until it is considerably closer to international prices. Since per capita consumption of

butter in Canada is responsive to price, some of the reductions in expenditure on skim milk powder might be used to reduce the price of butter to consumers through a deficiency payment. It appears that the result of all of these adjustments could be a shortfall in butter production relative to consumption at prices to farmers of about 65 cents per pound. If this occurs the Task Force recommends that the C.D.A.C. stabilize the price at about 65 cents per pound by importing butter and selling it at 65 cents. The profits so derived should be used to promote adjustment in the industry or out of it.

9. Other provinces ought to give serious consideration to adopting the fluid milk quota systems (including methods of transferring quotas) currently followed in Ontario and British Columbia.

10. Provincial and regional milk marketing boards should discuss with provincial departments of education the feasibility of initiating school milk programs in certain municipalities. A national policy concerning school milk programs is ruled out on constitutional grounds.

11. All provinces should abolish resale price control on milk.

12. Increased emphasis on programs such as milk recording (perhaps by Provincial Marketing Boards) and mastitis control is desirable in order to reduce costs of production at the farm level. Many Canadian milk producers are extremely efficient, using their resources skillfully and keeping abreast of scientific developments related to their industry. There should never be any doubt raised in the minds of such people that they contribute productively to the well-being of the nation. It is a great responsibility for provincial extension specialists, for credit agencies, for marketing board officials and for the C.D.A.C. to ensure that more farmers move into this elite of low-cost efficient operators and that facilities and information be provided to keep them highly productive. Recent trends have been in the right direction, with rapidly increasing output per enterprise. Expansion of bulk hauling and raising of milk quality standards will speed this desirable trend; those without milk coolers have little place in a modern industry. The dairy industry has a number of years of rapid transition ahead of it and the speed of transition should remain almost that of the last three years.

## *Chapter 8: Fruits and Vegetables*

The Task Force recommends that:

*Potatoes*

1. The Federal government take the initiatives necessary to ensure that free trade in potatoes be established between Canada and the United States, and that adjustment assistance be provided to farmers who would be adversely affected by free trade.

2. Producer marketing boards be used for potatoes in Prince Edward Island and New Brunswick.
3. Assistance be provided for rapidly re-structuring potato farms in New Brunswick and Prince Edward Island to larger-sized units. This could be achieved through Regional Economic Expansion plans.
4. Grading of potatoes be based on objective standards other than visible characteristics; and grading be rigidly enforced in all provinces.

*Apples*

5. Marketing board controls be used in Nova Scotia and Quebec; and the programs of producer marketing agencies in the four major producing provinces be co-ordinated.
6. Nova Scotia orient its marketing policies toward penetration of the United States market.

*Other Vegetables*

7. The Canadian government seek free trade arrangements with the United States on carrots, onions, turnips, cole crops and cranberries.
8. Producer marketing controls over fresh vegetables be established in the Province of Quebec; and assistance be provided for expansion of vegetable production in the Montreal area and on the organic soil areas along the United States border south of Montreal.

*Dumping and Injury*

9. Negotiation be initiated with the United States respecting the introduction of objective standards for the application of quick relief against dumping and/or injury from low priced imports.

*Marketing Boards*

10. In general terms, marketing boards place more emphasis on market development and that these boards improve management practices by employing highly skilled marketing specialists.

*Processing Industry*

11. The Federal government broaden its program of economic incentives which could encourage all sectors of the processing industry to exploit every economically feasible export opportunity.

*Crop Insurance*

12. While endorsing crop insurance schemes under the Crop Insurance Act of 1960, consideration be given to making crop insurance available for potatoes, apples and other products on a national basis. Such

schemes would, of course, require actuarial soundness within each province or sub-region of a province.

*Marketing*

13. That growers, the marketing sector and governments move rapidly to modernize marketing structures and the performance of marketing functions. This will require a great expansion of marketing research with an emphasis on market development.

## *Chapter 9: Other Crops*

### PART A: TOBACCO

The Task Force therefore recommends that:

1. Tobacco growers, processors and manufacturers, the Federal government and interested provincial governments join in the creation of a tobacco export development fund. This would support an aggressive export trade development program. Intensive exploitation of export market opportunities, involving the use of trade missions, trade fairs and where advisable, the use of export subsidies in a market development context, should be used.
2. The Ontario Flue-cured Tobacco Growers' Marketing Board reduce the "basic marketable acreage" of growers who under-plant allotted acreage. Such basic acreages accruing to the Board could be sold on a tender basis.
3. The Ontario Board should continue, on a permanent basis, the provision in its program which now permits transfer of acreage allotments from less productive to more productive areas.
4. Maritime growers should form an organization which would permit a "check-off" to allow participation in the export development fund operations.
5. Maritime growers should take the action necessary to ensure that primary processing facilities are available in that region.
6. Intensive research into the production and manufacture of tobaccos that can be readily marketed under the demand conditions, including consideration of effects on health, of the 1970's be undertaken and supported by government, the manufacturing industry and tobacco growers.
7. A Federal government inter-departmental committee be created to make a continuing assessment of the effect of anti-tobacco activities of the Federal government, and consider a program of adjustment assistance for the industry, if required.

## PART B: SUGAR BEETS[1]

The Task Force agreed to inclusion of the foregoing description of the Sugar Beet Industry in this Report but could not reach a concensus on conclusions and recommendations. Dr. MacFarlane dissented and his recommendations are shown in footnote 1 below.

# PART THREE

# INSTITUTIONAL STRUCTURE OF AGRICULTURE

## *Chapter 11: Government; Agribusiness; Farmer Organizations*

1. The primary and continuing role of governments should be to produce a desirable economic and social climate for farmers and agribusiness. Economically, governments should promote the efficient use of resources through their support for research, extension, education, marketing services and from time to time, through legislation or funds to increase or stabilize prices and incomes. This role does not include "managing" agriculture any more than it is the role of governments to "manage" the steel industry or the pulp and paper industry. Because the firms in farming are smaller than in other sectors, the kinds of government services required to create a desirable climate for them will be different from those of other sectors.

There are social as well as economic aspects to all policies. Governments and their officials must always be aware that they are dealing with human beings and not with abstract problems. Programs which call for changes in the way of life of the poor, the disadvantaged and the aged in particular, must reflect this point.

2. *Flexible Approach to Policy Making.*—Experience indicates that a doctrinaire approach to the development of agricultural policy is unsound. The diverse and dynamic conditions of Canadian agriculture make a pragmatic approach desirable. This flexibility appears again and again in our recommendations.

3. *Stated Goals.*—The controversies which surround many agricultural policies and programs arise in large measure from their lack of clearly defined

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[1] Recommendations for the Sugar Beet Industry proposed by Dr. MacFarlane:

(1) that the Federal government limit deficiency payments to growers who have received them in a recent period; and that payments to any grower be limited to production by that grower in a recent past period, except as in (2);

(2) the Federal government be authorized to buy existing rights to deficiency payments. This would parallel the adjustment assistance payments made to farmers when the beet sugar factory in Chatham, Ontario was closed. The government would be authorized to sell or allocate such rights to deficiency payments in such a way as to improve the structure of the sugar beet sector;

(3) the level of deficiency payments be gradually scaled down as the industry restructures toward fewer, larger-scale, more efficient production units.

goals. The Task Force recommends that for each of its policies and programs, governments provide a clear statement of goals; such statements should be so explicit and sufficiently quantified that the degree of success in achieving them can later be measured. Goals should not be stated in such general terms as "to improve the welfare of farmers". These goals, and performances in achieving them are considered in Recommendation 14(b)

4. *Recognition of Commercial Low-Income Division.*—Programs which try to serve the interests of commercial farmers and to meet the problems of poverty-level farmers are unlikely to be as successful as separate (but co-ordinated) programs designed to serve each. The Task Force recommends that this distinction be kept in mind in all policy making. The government should not confuse economic and welfare problems and programs to overcome them.

5. The Canada Department of Agriculture should be renamed the Department of Agricultural Industry. All of its planning and operations for commercial agriculture must be integrated around a central concept of a profit-oriented, self-sustaining industry serving the needs of all its major stakeholders adequately and fairly. A major function of the Department of Agricultural Industry would be to integrate all direct Federal government expenditures on agriculture through a centralized budgetary control system.

6. Overall authority and responsibility for commercial agriculture at the national level must be centred in and around the Department of Agricultural Industry.

7. The Economics Branch should be renamed the Economics and Business Branch. An Agribusiness unit should be created within the Branch to undertake research and analysis of problems relating to agribusiness. Its staff should be drawn from those specialists undertaking similar work in the Department of Industry Trade and Commerce.

8. The Minister of Agricultural Industry should request the heads of the Research Branch and of the Economics and Business Branch to produce a joint proposal which will indicate the kind of machinery necessary to ensure co-ordination of research efforts between specialists in the two branches.

9. A new International Trade Branch should be created in the Department of Agricultural Industry and many of its staff drawn from the Department of Industry Trade and Commerce.

10. A new Federal-Provincial Agricultural Credit Board should be created. At the Federal level it should report to the Minister of Agricultural Industry. (See Chapter 13)

11. The Canadian Livestock Feed Board should be phased out if the recommendations of Chapter 5 are implemented.

12. The Agricultural Stabilization Board should be given additional responsibilities in the form of the new Prairie Grain Price Stabilization Program and the short-run emergency Wheat and Barley Acreage Diversion Program.

13. A new National Agricultural Marketing Board should be created, to take direct responsibility for all statutory national or federal marketing boards including the Canadian Wheat Board and the Canadian Dairy (Adjustment) Commission. (See Chapter 7 for change in C.D.C.) The N.A.M. Board should be created by the Minister of Agricultural Industry and bear a relationship to him similar to that of the Ontario Farm Products Marketing Board to the Ontario Minister of Agriculture and Food.

14. A new National Agricultural Advisory Council should be created by the Minister of Agricultural Industry. It should have the following functions:

(a) to act as the highest level farmer and agribusiness council, providing a forum for discussion and providing advice both to the Minister of Agricultural Industry and to the N.A.M. Board;

(b) to organize and sponsor an annual *Policy Evaluation Conference* based upon intensive studies by independent researchers of a small number of existing programs of the Federal Government or of joint Federal-provincial programs. Further to Recommendation 3, the goals of the programs evaluated should be clearly and specifically stated.

15. Creation, by the N.A.M. Board, of commodity councils similar to the Canada Grains Council to act in an advisory capacity to the N.A.A. Council and also to their corresponding statutory marketing board (e.g. Canada Wheat Board).

16. The new structure of organizations proposed in the preceding recommendations should make possible vastly improved communication between all three of government, farmer organizations and agribusiness. The concept of the N.A.A. Council and the commodity councils involves participation by agribusiness and farmer organizations.

The Task Force recommends emphatically that the creation of councils should not prevent agribusiness or farmers from communicating directly with government or with one another. The Task Force further recommends that governments consult as often as possible with the other stake-holders in the agricultural industry: for the government to do so, however, implies a corresponding degree of sensitivity and responsibility on the part of the non-government groups.

17. The Task Force takes no position on the issue of "unity" between the general farm organizations. The fact is that this is a matter for farmers themselves to decide and furthermore, the pro's and con's of a union appear to the Task Force to be evenly balanced.

18. Both Federal and Provincial governments should design short training programs to make government, agribusiness and farmer leaders and employees better aware of new techniques of management and administration. Management by objectives, program planning and budgeting and other techniques of rational management must be increasingly adopted to improve effectiveness and efficiency.

19. *Recognition of Regional Characteristics*—While the Task Force warns against the dangers of balkanization of Canadian agriculture and of agricultural policy and emphasizes that increased attention be paid to national unity, it recommends that increased attention be paid to regional problems and disparities during the formulation of policy. We commend in principle those parts of ARDA and Regional Economic Expansion which are adaptable to particular regional conditions and which work through training and similar assistance to help the disadvantaged eventually compete on more or less even terms with those in more prosperous areas.

### *Chapter 12: Marketing Boards*

1. Legislation should be introduced by the federal government to permit the creation of national commodity marketing boards. The Task Force recommends that this legislation include:

(a) A National Agricultural Marketing Board, responsible to the Federal cabinet[2] and operating so as to benefit agriculture without serious adverse effects on the national economy.

(b) Appointments to the N.A.M. Board should be made by the Federal government and should be drawn from several walks of life.

(c) The N.A.M.B. should delegate powers and responsibilities to commodity marketing boards, scrutinize carefully the way in which these powers are used, and withdraw them when the "national interest" dictates.

(d) National commodity marketing boards may be of various structures and composition: some may be federations of provincial boards, some may be producer-controlled without provincial equivalents and some may be federally-appointed commissions.

It is important that the legislation permit the creation of commodity commissions similar in structure to the Ontario Apple Marketing Commission, with membership drawn from all groups who have a stake in the decisions to be made. No common kind of structure appears necessary.

2. The N.A.M.B. would require very substantial sums in order to undertake the appropriate research and reviews implied by its areas of responsibility.

3. If the N.A.M.B. permits any subsidiary commodity marketing board to impose quotas on inputs or sales, it should ensure that the method of doing so would freely permit the relocation of production in the lowest cost areas of the country. This virtually rules out the establishment of provincial quotas, but not of nationally negotiable quotas. Similarly the N.A.M.B. should prevent any barriers being raised against the holding of quotas by the lowest cost producers within an area.

[2] The N.A.M. Board would bear the same relationship to the Federal government as, for example, the Ontario Farm Products Marketing Board bears to the Ontario Government.

4. Since the commodity marketing boards may be expected to make proposals and to work in the best interests of their own members, it should be the responsibility of N.A.M. Board to take into account the interests of other sectors of the economy including those potential producers (who are not now producers) of the commodity in question.

5. The power to control imports should not be given to N.A.M.B. nor to any national commodity board.

6. There should be no attempt made to create one huge national all-encompassing body with widespread controls on output.

7. Provincial governments should continue to resist the temptation to introduce grading and quality regulations aimed at reducing interprovincial trade.

## *Chapter 13: Credit*

1. A Federal-Provincial Agricultural Credit Board should be created, with membership from, and responsibility to the Federal and provincial governments. Participants in the Board on behalf of the Federal Government should be responsible to the Minister of Agricultural Industry. (See Chapter 11).

2. The Board should develop and take responsibility for a joint Federal-provincial credit system for commercial farmers. Under this system the Federal Government would provide 75 per cent of the required capital funds and pay one-half of the administration costs; the provinces should provide the remaining 25 per cent of the required capital funds and pay one-half of the administration costs. The provincial governments should be directly responsible for the administration of the proposed credit programs and the respective provinces should guarantee one-half of any capital losses incurred by the Federal government in the operation of the credit program in that province. The overall policy, operating guidelines and administrative procedures should be developed jointly by the Federal and provincial governments. The existing Federal and provincial credit institutions should be modified as necessary and incorporated into the proposed joint Federal-provincial credit system.

3. The Federal-Provincial Agricultural Credit Board should proceed to develop an insured mortgage credit program with the objective of inducing commercial lending institutions to enter the farm credit field.

4. The joint Federal-Provincial Agricultural Credit Board should assume the responsibility for the development of a "guarantee against loss" type of lending program such as that which now exists under the Farm Improvement Loans Act.

5. The administration and responsibility for the Veterans' Land Act credit program should be transferred to, and merged with, the proposed joint Federal-Provincial Agricultural Credit Board.

6. The Farm Improvement Loans Act should be discontinued and the functions now performed by the F.I.L.A. transferred to, and become the responsibility of, the proposed Federal-Provincial Agricultural Credit Board.

7. The commercial banks should continue to be primarily responsible for the provision of operating credit to farmers and the banks should:

(a) develop strong agricultural departments,

(b) place a greater emphasis on "farm management loans" as opposed to the traditional "security" approach to farm lending,

(c) integrate as closely as possible with government mortgage credit program,

(d) establish closer links with farm management extension agencies.

8. Agricultural extension departments should provide continuing short courses for farmers on topics relating to the use and management of credit.

9. The proposed CANFARM (i.e. electronic data processing of farm records) program should be instituted and developed as rapidly as possible.

10. Insofar as possible governments should avoid the subsidization of interest rates. If, for a special reason, interest rates are to be subsidized, the loaning agency should attempt to ensure that there is no direct or adverse effect on the commercial lending institutions involved in the field of farm credit. If subsidized interest rates are used, the cost of the subsidy should be borne entirely by the respective provinces.

11. Governments, both Federal and Provincial, should press for all interest charges to be expressed as simple interest rates.

12. As a special subsidiary to the Federal-Provincial Agricultural Credit Board, a Rural Development Credit Agency should be created. The Agency's attention should be devoted entirely to providing credit to non-commercial low-income farmers. Its operation should be flexible—in some cases coordinating, in others filling gaps—in order to ensure that there is a minimum of duplication and omission among existing programs relating to the poverty sector in agriculture. The Agency should count as its successes, those loans and assistance which result in a farmer graduating to commercial credit terms.

### *Chapter 14: Crop Insurance*

The Task Force recommends the following:

1. The immediate discontinuance of the P.F.A.A. program.
2. The equivalent of the annual subsidy paid to the P.F.A.A. program by the Federal Government should be allocated to the financing of the Prairie Grain Price Stabilization Program (see Chapter 5).

3. An independent body should be appointed by the National Agricultural Advisory Council to evaluate the actuarial structure of the crop insurance program in Canada and make the results of such an evaluation known annually at the proposed national policy conference outlined elsewhere in this Report.
4. In 1975 a Federal-Provincial committee should appoint an independent body to make a comprehensive evaluation of the effectiveness and efficiency of the crop insurance program and, in particular, to recommend on whether or not the current subsidy should be continued.

### *Chapter 15: Research*

The Task Force recommends:

1. That the amount of resources devoted to agricultural economics research in Canada be doubled within the next five years.
2. That the Canadian Wheat Board proceed immediately to develop a strong marketing research department.
3. That the national farm organizations be encouraged to develop an adequate research staff for the purpose of conducting studies and investigations relating to agricultural marketing and policy matters; that serious steps be taken by the Federal Government and the Wheat Board to meet the repeated request of western grain producers to have a deduction made on their grain sales through the Wheat Board to support producer-sponsored research.
4. That all provincial marketing boards be encouraged to develop strong programs of research relating to their particular problems and policies.
5. That the proposed Economics and Business Branch of the Department of Agricultural Industry develop a continuing program of commodity marketing research.
6. That a great deal more emphasis be placed on market-oriented commodity research in the Research Branch, Department of Agricultural Industry.
7. To ensure that the commodity marketing research of the Economics and Business Branch is closely integrated with the work of the scientists and engineers of the Research Branch, it is recommended that the heads of those two branches be requested by the Minister, Department of Agricultural Industry, to produce a joint proposal for the development of machinery to bring about the necessary co-ordination.
8. That the Economics and Business Branch of the Department of Agricultural Industry develop a strong program of research relating to the agricultural business sector of the Canadian economy.

## Part Four

# LOW-INCOME SECTOR

### *Chapter 16: The Low-Income Sector*

1. *Strengthen the Manpower Services Available to Farmers.*—Fortunately the naive laissez faire position concerning low-income farmers "If they cannot make a good income in farming, let them do something else" has become discredited. It is in the national interest to help at least some of them become capable of doing something else and to help the remainder avoid living in poverty and indignity. Specific proposals to assist low-income farmers include:

(a) The creation of 10 mobile clinics in 1970-1971 in order to improve the "reach" of the Manpower program by taking to rural people the services which are now concentrated in urban centres. The mobile clinics are useful in several ways. They provide information on jobs, training opportunities and urban housing and access to a full range of counselling services both in rural communities and (for those who move) in receiving centres. The mobile clinics should also call at rural schools in order to discuss careers and point out the relevance of mathematics, language and other subjects to the jobs of the 1970's and 1980's. It cannot be stressed too often that with a working life of 45 years, a young man of 18 can condemn himself to poverty by not devoting a few more years to improving his qualifications as a worker. Mobile clinics need not be large; they might cost $100,000 each per year.

(b) The creation of small offices in major cities to help those who move to find housing, to be aware of social services available and to solve family problems arising out of the move from rural areas into major urban centres. Close co-ordination will be required between the mobile clinics and the existing Manpower centres on the one hand and the proposed major city offices on the other.

2. *Higher Levels of Employment.*—The extension of training and mobility services also presupposes that jobs are available somewhere. Merely to increase the number of rural clients will do little good if unemployment rates are high in cities. Policies which can create new employment opportunities are absolutely fundamental to war on poverty. Canada's record toward achieving the goal of full employment since 1954 has been poor; only in 3 years (1956, 1965, 1966) has less than 4 per cent of the labour force been unemployed. This poor employment record makes the 55 per cent decline in the farm labour force between 1946 and 1968 all the more remarkable.

3. *Improved Education.*—Although educational disparities between farm and city and among regions are not new, what is new is that unskilled

labour—the traditional route out of agriculture—confronts a declining demand. The changing nature of labour force demand requires higher levels of education among rural people.

The alternative is to continue to suffer the ill-effects of an indigestible surplus of under-educated and inadequately trained, both in urban centres and trapped on the farm. While it is essential to distinguish between formal education arising from the municipal-provincial school system and skill training provided by Manpower, both are necessary to meet the problems of poverty. While all provinces are making efforts to improve rural education, it is doubtful if the poorer provinces can spend enough to help. Even the wealthier provinces are disinclined to commit resources on the necessary scale. The need is not merely for larger school units or higher salaries but for whatever it takes to raise aspirations and make rural students more nearly competitive in the labour market. This accounts for the proposal to create mobile Manpower clinics which would visit schools in order to discuss careers and education.

4. *Welfare and Social Services.*—Except for programs with universal coverage such as family allowances and old age security, present welfare services tend to serve the farm population much less well than city people. Unemployment insurance, for example, does not apply to farmers; health services are mostly poorer and disability allowances harder to obtain; many families live on provincial or municipal welfare at bare subsistence levels and in many districts the welfare budget is not adequate to cover all families in need. Because of feelings of independence or lack of knowledge of what is available, low-income farmers receive much less welfare assistance than low-income city folk. A Saskatchewan economist states that his province has 15,000 to 20,000 low-income farmers but less than two dozen on welfare. To ensure that welfare, health and other social services are actually made available to rural poor, the Task Force suggests welfare officers be designated in each county or equivalent in order to indicate the services available. The direct result of this proposal is increased welfare payments.

5. *Guaranteed Annual Income Plan.*—A variation of the guaranteed annual income plan is the negative income tax scheme proposed in the United States. The negative income tax would eliminate many existing welfare schemes. Under one system suggested all individuals and families whose incomes are too low to pay income taxes would receive a payment amounting to one-half of their unused exemptions and deductions from the Treasury. Variations on this basic proposal have become fairly common. "Schemes of this sort provide and confine income transfers to households which really need economic assistance; condition payments solely on the basis of family income and family size, thus achieving a degree of equity in the treatment of low-income households not achieved by existing income transfer programs; are more neutral with respect to resource allocation, might stimulate incentives to work".[8] The incentive to work is built into the negative income tax

[8] Christoper Green in *Conference Report*, Canadian Tax Foundation, 1967.

plan through a rate structure which assures that no individual or family could be financially better off by avoiding employment.

A negative income tax program would embrace all sectors of the economy and not just agriculture and must be considered in that context. A universal system has several advantages but does not necessarily mean more help for poor people than could be had from filling the gaps in present services. It is not necessary, therefore, to await the results of studies now in process which may or may not lead to the implementation of the negative income tax; the important thing is to improve services and increase coverage in rural areas, immediately and until such time as a better system is devised.

6. *Small Changes for Older Farmers.*—There are many older farm people for whom mobility to other locations and occupations is undesirable. The Task Force is of the opinion that in the interests of dignity and self-respect for the individual, it is desirable to keep the welfare sector as small as possible and that the naive view that they "ought to do something else" is untenable. It may be quite inefficient to provide retraining and moving expenses and incur all the personal and social problems involved, for a few years of higher wage employment. All things considered—the poor prospects for other employment, the importance of pride and independence and the fact that whatever skills and experience these men possess are as farmers—it may often be the "best solution" to seek small improvements in farm income.

It is plainly not feasible to raise every submarginal farm to commercial status, nor is it advisable to attempt too much improvement—for example, to encourage large and costly additions to acreage, where management is weak and the life expectancy of the farm unit perhaps no more than 10 or 15 years. Certain types of improvements involve costs that are high relative to the benefits which can reasonably be anticipated, as ARDA has shown. The technique should be to provide assistance which can bring about small changes, perhaps a change in the crop pattern or a little added land; improvements in organization leading to lower costs—minor improvements which would provide a small boost to incomes (a few hundred dollars, on the average) but requiring no large investment outlays. This policy is an exception, it is one that includes transitional programs for older farmers only. Guarantees must be set up to ensure younger farmers are and remain excluded from these special efforts.

The major input required from governments is the supply of advisory services. The Task Force envisages: extension workers specially trained to deal with the lower levels of farming; to provide advice and encouragement on an individual farm basis and short-courses in the community, tailored to the needs of farmers not reached by existing programs. A few tentative steps along these lines have been taken in certain provinces (for example, in the FRED plan for eastern Quebec). Wider application raises at once the problem of availability of staff but it appears that the job does not have to be done by professionals. Alberta has used district farmers for advisory tasks in the Edson district; a spokesman for Manitoba's Department of Agriculture claims one of their most successful programs has been short courses given in local districts using "diploma course" graduates. The latter, it is felt, make better connections with small farmers than highly trained university graduates. The experience in eastern Ontario has been successful by operating on the same basis.

A major advantage of the above approach is that for the first time there would be staff with the responsibility for ensuring that programs do get to poor farmers who would be best off remaining as farmers.

7. *Community Approaches.*—Since net farm income is now only 5 per cent of national income, the Canadian economy can tolerate some inefficiency in the form of small-scale farmers. What cannot be tolerated is the bringing up of succeeding generations who are grossly handicapped for anything but a diminishing number of low-skill jobs. While young adults are leaving the rural areas in large numbers, it cannot be assumed that all are successfully absorbed in the urban labour force.[4] Because educational standards are low, the presumption is that many secure a precarious foothold and that many come back.

The measures proposed above will assist farm families but not the communities where so many of these families live. "Terminal" aid for small farmers and enlarged welfare programs can hardly supply the tax base for radical improvements in education and other community services, yet such improvements are essential to improve the chances for the children of rural poor. Measures to encourage out-migration, though desirable, intensify the problems of poor communities in that they remove customers of village merchants, and lower the basis groups. These are the reasons why effective programs for rural poverty must include a community as well as an individual approach.[5]

Comprehensive planning of the FRED type offers a number of promising leads; money for schools and roads; counselling services to acquaint people with alternatives; closing out of settlement in areas with no potential; strenuous efforts to increase employment in selected growth centres. This is a start but only a start—so long as comprehensive planning is confined to a few FRED areas in eastern provinces and an even smaller number of special development areas under ARDA. After all, the poorer districts in Ontario and the Prairies contain three times as many low-income farms as the whole of the Maritimes.

While not suggesting that FRED be extended to all rural areas containing poverty, the fact is several key programs which account for much FRED expenditure are already operational—Manpower mobility; incentive grants; in

[4] A recent survey of several parishes in the Gaspé and rural New Brunswick reported that only three of every ten offspring of rural families have moved to an urban place. "Given the large-sized families this means a high retention of offspring from such families in rural areas". Jane Abramson, *Barriers to Population Mobility, op. cit.*

[5] "A firm government commitment to effective Manpower policies should be coupled with a firm commitment to share the financial burdens of maintaining a high level of social services, so that the unfavourable effects of out-migration will not be allowed to dissipate the gains from the adjustment process." Buckley and Tihanyi, *op. cit.* page 23.

some cases, land consolidation. Outside the FRED areas these programs operate without a framework of research and planning to indicate what the long run goals for the community should be and without community participation in selecting goals and means. Co-ordination of efforts among programs is likely to be minimal, and the response from people who do not understand or approve the programs may leave something to be desired. There must be increased co-operation and co-ordination among programs and government institutions in areas not covered by FRED.

8. *Publication of Research*—ARDA has spent considerable sums on research concerning community needs and development possibilities but apart from a few reports, most of the research work has not been published and is unavailable. This is a mistake.

9. *Special Rehabilitation Programs*—Because all people are not capable of rapid absorption into the labour force, there must be provision in a few areas for special longer programs for those younger people who fail to meet the requirements of general and vocational training programs.

The analysis and recommendations of the Federal Task Force on Agriculture, as contained in this Report, are respectfully submitted for your consideration.

D. R. Campbell — P. Comtois

J. C. Gilson

D. L. MacFarlane — D. H. Thain

# part six

## APPENDICES

## Appendix A

# MATERIAL RELATING TO THE ESTABLISHMENT OF THE FEDERAL TASK FORCE ON AGRICULTURE

The Honourable J. J. Greene then Minister of Agriculture, recognizing the complexity and emergency of the economic state of agriculture in Canada in this period of rapid change proposed the establishment of a Federal Task Force, composed of specialists in the field, to make a critical review of this industry.

On 17 April 1967, the Cabinet agreed in principle that ".... a Task Force be appointed to make a comprehensive assessment of agricultural goals and policies, on the understanding that its terms of reference would be submitted to the Cabinet after the head of the Task Force had been appointed." The recommendation was for the appointment of five full-time commissioners under Part I of the Inquiries Act. This Task Force would be charged to deliver a report by 1 September 1968.

It was found, after a thorough, full and long survey of the field that it was impossible to obtain the services of five qualified persons for a full year on such short notice. As a result it was decided that five part-time commissioners would be appointed and one or two persons would be added to the group to serve as full-time co-ordinators.

On 22 September 1967 the following five Canadians were named as the members of the Task Force:

*Dr. David L. MacFarlane,*[1] professor and Head of the Department of Agricultural Economics at Macdonald College of McGill University.

*Dr. J. C. Gilson,* professor and Head of the Department of Agricultural Economics (and later appointed Dean of Graduate Studies) at the University of Manitoba.

*Mr. Pierre Comtois,* partner of Bélanger, Saint Jacques, Sirois, Comtois and Company, Chartered Accountants, Sherbrooke, Québec.

*Dr. D. R. Campbell,* professor of political economy at the University of Toronto.

*Dr. D. H. Thain,* professor of business policy at the School of Business Administration, University of Western Ontario.

The provision was also made on 17 April 1967 for setting up of an interdepartmental committee[2] with representation from the Departments of Agriculture, Forestry[3], Finance, Manpower and Trade and Commerce[4], the Treasury Board, the Economic Council of Canada and the Privy Council for the purposes of:

1. reviewing and making recommendations on the terms of reference proposed . . .;
2. making recommendations with respect to the membership of the Task Force,
3. on a continuing basis, assisting the Task Force in its work.

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[1] Professor MacFarlane was selected as Chairman (for internal purposes only) by the other members at the commencement of the work but agreed to sign the report as an equal member.

[2] See Appendix B-1.

[3] Later to become part of the Department of Regional Economic Expansion.

[4] Later to become the Department of Industry, Trade and Commerce.

During the summer of 1967, at the Conference of the Ministers of Agriculture, held in Montreal, a committee of five persons was established[5] to serve as a link between the Task Force and the Provincial Departments of Agriculture.

As a result of meetings between the Task Force and the committees the terms of reference for the work were agreed as follows:

1. The Task Force will make a comprehensive assessment of Canadian agriculture in terms of its contribution toward the achievement of national goals. Particular recognition will be given to the income and welfare of farmers. In the above work, concern will be with the productivity of the agricultural industry in the context of the adjustments to new technology and maintaining the industry in a strong competitive position in domestic and international markets.
2. It will study and make recommendations concerning agricultural policies required to achieve long-range national and agricultural goals, taking account of the interests of farmers and consumers.
3. To accomplish the above objectives, the Task Force will use existing research results and conduct a series of research projects.

On 11 December 1967 the Task Force outlined a Work Plan and provided for the establishment of a Secretariat to be located in Ottawa. Initially the offices of the Secretariat were located at 48 Sparks Street, then moved to the Sir William Saunders Building at the Central Experimental Farm and again moved to 245 Cooper Street for the duration of the work. Two senior officers were contracted to provide full-time assistance to the Force. On 18 December 1967 Mr. A. Vaillancourt, formerly chief editorial writer of the Sherbrooke Tribune, was appointed and assumed the position of Secretary.[6] Mr. Douglas Woodward was appointed Co-Ordinator and Executive Director of the affairs of the Task Force, on 1 January 1968.[7] Other members of the Secretariat Research Staff were appointed for varying periods as required (see Appendix D).

A research program was agreed upon, proposals were solicited and contracts let during the first quarter of 1968, (see Appendix E).

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[5] See Appendix B-2.

[6] Mr. Vaillancourt moved to Sherbrooke on 1 April 1969 to assist Mr. Comtois until 30 June 1969 when his contract was terminated.

[7] Mr. Woodward was assigned the duties of Secretary on 1 April 1969 when Mr. Vaillancourt moved to Sherbrooke.

## Appendix B

# GOVERNMENT BODIES ASSOCIATED WITH THE TASK FORCE

### 1. *Federal: Inter-departmental Committee*

An inter-departmental committee was formed to serve as an advisory and consultative body to the Task Force. The list below shows the scope of the members within the Federal government establishment and this permitted the Task Force to readily contact a wide range of persons within the various departments in the course of the work.

The terms of reference for each study project were submitted to this committee for approval and comment. No major contract was formally entered into without approval from the inter-departmental committee and each report received from such approved projects was distributed to the members.

To further the liaison between the Task Force and this committee copies of the monthly progress report to the Minister of Agriculture were also distributed.

*Members*[1]

| | | |
|---|---|---|
| Dr. R. Poirier | *Chairman:* | Assistant Deputy Minister (Economics) Department of Agriculture. |
| Mr. H. W. Leggett | *Secretary:* | Executive Assistant to the Deputy Minister of Agriculture. |
| Mr. H. G. P. Taylor | | Director, Resource Programmes Economic Affairs, Industry, Tariffs and Trade, Department of Finance. |
| Mr. J. G. Threader | | Programme Officer Treasury Board. |
| Mr. W. T. Burns | | Department of Regional Economic Expansion. |
| Mr. M. G. Clark | | Director General Office of Commodity Trade Policy, Department of Industry, Trade and Commerce. |
| Dr. R. J. Uffen | | Director, Science Secretariat Privy Council. |

### 2. *Provincial and Interprovincial*

In addition to separate meetings with provincial deputy ministers of agriculture and their staffs in the respective provinces the Task Force met with the Interprovincial Committee on Canadian Agriculture Policy. The I.C.C.A.P. is formed of four provincial deputies representing B.C., Prairie Provinces, Ontario, the Maritimes and is chaired by Dr. E. Mercier of Québec.

The following is a list of provincial deputy Ministers of agriculture; members of I.C.C.A.P. are indicated by an asterisk.

| | |
|---|---|
| Mr. A. H. Turner * | British Columbia |
| Dr. E. E. Ballantyne | Alberta |
| Mr. W. H. Horner* | Saskatchewan |
| Dr. J. M. Cormack | Manitoba |
| Mr. E. M. Biggs * | Ontario |

[1] Due to departmental reorganization and personnel changes latest names only given.

| | |
|---|---|
| Dr. B. Lavigne | Québec |
| Mr. M. W. White | Prince Edward Island |
| Mr. R. D. Gilbert * | New Brunswick |
| Mr. D. L. Parks | Nova Scotia |
| Mr. J. J. O'Reilly | Newfoundland |

The monthly report to the Minister of Agriculture and copies of a research report were also sent to this group.

## Appendix C

# PERSONS DIRECTLY ASSOCIATED WITH THE WORK

1. *Task Force Members*

—Dr. David L. MacFarlane (Chairman)
Head, Department of Agricultural Economics,
Macdonald College, Ste. Anne de Bellevue, P.Q.

—Mr. P. Comtois, C. A., Partner in Bélanger, Sirois, Sainte Jacques et Comtois, Sherbrooke, P.Q.

—Professor D. R. Campbell, Department of Political Economy, University of Toronto.

—Dr. J. C. Gilson, Chairman, Department of Agricultural Economics and Dean of Graduate Studies, University of Manitoba, Winnipeg.

—Dr. D. H. Thain, Professor in Business Administration, School of Business, University of Western Ontario.

2. *Secretariat*

*Senior Staff*

—Mr. A. Vaillancourt—Executive Officer and Co-Ordinator.
—Mr. D. Woodward—Secretary.

*Research Staff*

| | |
|---|---|
| Mr. George Grant | —Consulting Economist, Toronto. |
| Mr. G. Boucher | —Seconded from Canada Department of Agriculture. |
| Mr. R. Deniger | —Hydro-Québec. |
| Mr. R. Erdmann | —Economist, Toronto. |
| Dr. C. Gislason | —Economist, Washington, U.S.A. |

*Secretarial Staff*

Miss A. Horscroft
Mrs. M. Dercola
Miss J. I. Long

# APPENDIX D

## RESEARCH PROGRAM

1. *Research Program*

Early after formation of the Task Force a Work Plan and Research Program was formulated as follows:

1.1 *Work Plan*

A. Set out Task Force objectives.
B. Develop means to accomplish objectives.
C. Develop evaluation criteria.
D. Prepare a time schedule for operations.
E. Establish a Secretariat, in Ottawa for the co-ordination and control of the work.

1.2 *Task Force Objectives*

The terms of reference for the work of the Force were:

1. The Task Force will make a comprehensive assessment of Canadian agriculture in terms of its contribution toward the achievement of national goals. Particular recognition will be given to the income and welfare of farmers. In the above work, concern will be with the productivity of the agricultural industry in the context of the adjustments to new technology and maintaining the industry in a strong competitive position in domestic and international markets.
2. It will study and make recommendations concerning agricultural policies required to achieve long-range national and agricultural goals, taking account of the interests of farmers and consumers.
3. To accomplish the above objectives, the Task Force will use existing research results and conduct a series of research projects.

1.3 *Research Projects*

As earlier indicated, the main work of the Secretariat was centred around initiation and contracting out of a comprehensive research program. The following is the schedule of projects, some of which were not pursued due to either inability to find competent authorities to avoid duplication of work by other study groups. Where a project was undertaken the contractor's name and affiliation is shown:

| | |
|---|---|
| 1. Structure and Productive Capacity of Canadian Agriculture. | Professor H. Van Vliet, University of Saskatchewan. |
| 2. Canadian Dairy Industry. | Professor B. B. Perkins, University of Guelph. |
| 3. Livestock, Poultry and the Feed Grain Economy. | Acres Research and Planning, Toronto. |
| 4. Wheat and Oil Seeds. | Hedlin Menzies Association, Winnipeg. |
| 5. Fruit and Vegetables Industry. | Dr. A. Riverin, University of Sherbrooke, P. Q. |
| 6. Goals of Agricultural Policy. | Professor Philip Thair, University of Saskatchewan. |

| | | |
|---|---|---|
| 7. | Federal-provincial and Interprovincial Relations in Agriculture in Canada. | Mr. M. Daneau, Laval University. |
| 8. | Rural Poverty: Origins and Consequences for Canadian Agricultural Policy. | Professor J. Harp, Carleton University. |
| | *Position Paper No. 1* Location of Rural Poverty Groups in Canada and Implications for Rural Welfare Policies. | Dr. W. Rogers, University of Alberta. |
| | *Position Paper No. 2* Socio-cultural Dimensions of Rural Poverty in Canada. | Dr. D. Connor, Consultant, Ottawa. |
| | *Position Paper No. 3* Values and Ideologies of Rural French Canada: An Analysis of Social Change. | Professor Marc-Adelard Tremblay, Laval University. |
| | *Position Paper No. 4* Vocational and Educational Aspirations of Rural Youth. | Professor A. Kristjanson, University of Manitoba. |
| | *Position Paper No. 5* Poverty Sector in Agriculture. | Mrs. H. Buckley, Dominion Bureau of Statistics. |
| 9. | Farm Credit in Canada. | Professor C. Baker, University of Illinois. |
| 10. | Research. | — |
| 11. | Education and Extension. | — |
| 12. | Trade Policy. | Professor H. Eastman, University of Toronto. |
| 13. | Taxation. | — |
| 14. | Demand and Supply.[1] | Dr. C. B. Haver, Macdonald College. |
| 15. | Statistical Services. | — |
| 16. | Long-range Projections of Demand. | Dr. Cavin, Consultant, Washington, D.C. Messrs. F. Shefrin and Z. J. Yankowsky, Canada Department of Agriculture. |
| 17. | Factors Affecting the Formulation and Implementation of Canadian Agricultural Policy. | Dr. H. Whalen, Memorial University. |
| 18. | Government Involvement in Agriculture. | Dr. C. Hudson, Consultant, Ottawa. Mr. S. W. Garland, Canada Department of Agriculture. |
| 19. | Marketing Boards. | Dr. G. A. Hiscocks, Canada Department of Agriculture. Dr. H. Walker, Canadian Livestock Feed Board. |

[1]Contractor did not deliver before date of this Report.

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| 20. Agriculture in the Western European Countries. | Dr. L. A. Fischer, Macdonald College. |
| 21. Agri-business. | Mr. R. A. Patterson, University of Western Ontario. |
| 22. Alternative Land-use Patterns for Prairie Provinces in 1980. | Mr. A. G. Wilson, University of Saskatchewan. |

*Other special studies:*

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| 23. The Livestock Market alternatives with respect to Canada's Competitive Position. | Prof. R. G. Marshall, University of Guelph. |
| 24. The Canadian Fruit and Vegetable Industry. | Officers of Canada Department of Agriculture led by Mr. Eaton. |

## Appendix E

## SCHEDULE OF MEETINGS HELD

| | | |
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| **1967** | | |
| Task Force Meeting | 10 October in Ottawa | —Members of the Task Force |
| **1968** | | |
| Task Force Meeting | 9 January in Ottawa | —Members of the Task Force |
| Task Force Meeting | 23 January in Ottawa | —Members of the Task Force |
| Canadian Federation of Agriculture | 24 January<br>25 January<br>26 January<br>in Victoria | —Officers of the Alberta and British Columbia Departments of Agriculture. |
| Task Force Meeting | 5 February<br>21 February<br>in Ottawa | —Members of the Task Force<br>The Inter-departmental Committee |
| Canadian Federation of Agriculture | 27 February in Ottawa | —Executive Council officers |
| Task Force Meeting | 5 March<br>6 March<br>in Ottawa | —Minister of Agriculture<br>—Members of the Task Force |
| Canadian Agricultural Economics Society | 19 March in Ottawa | —Members of the Task Force |
| Task Force Meeting | 20 March in Ottawa | —Members of the Task Force |
| Task Force Meeting | 31 March in Winnipeg | —Minister of Agriculture<br>The Deputy Minister<br>The Assistant Deputy Minister<br>The Provincial Director of ARDA |
| | " | —Members of the Task Force |
| Manitoba Farm Bureau | 1 April in Winnipeg | —Members of the Task Force |
| Atlantic Development Board | 25 April in Ottawa | —Council of Deputy Ministers<br>—Special Committee on Farm Income |
| | " | —Dr. Weeks and Mr. Levin |
| Task Force Meeting | 26 April in Ottawa | |
| | morning | —The Inter-departmental Committee |
| | afternoon | —Mr. Chancey, Deputy Minister of Agriculture and Co-operatives, Province of Newfoundland |
| | luncheon | —Mr. Butler of Privy Council |

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| Task Force Meeting | 6 May in Halifax | —Mr. D. L. Parks, Deputy Minister of Agriculture and Marketing, Province of Nova Scotia, and supporting staff. |
| Task Force Meeting | 7 May in Halifax | —Members of the Task Force<br>—Mr. R. D. Gilbert, Deputy Minister of Agriculture, Province of New Brunswick and supporting staff. |
| Maritime Federation of Agriculture | " | —Mr. Eric Harvey, President |
| Task Force Meeting | " | —Members of the Task Force |
| Task Force Meeting | 8 May in Halifax | —Mr. S. C. Wright, Deputy Minister of Agriculture, Province of Prince Edward Island and Mr. Peacock. |
| | " | —Members of the Task Force |
| Task Force technical Meeting | 14 May in Toronto | —Members of the Task Force |
| Task Force Meeting | 15 May in Toronto | —Members of the Task Force |
| Acres Research and Planning Ltd. | " | —Representatives of Acres Research and Planning Ltd. |
| Task Force Meeting | 28 May in Québec City afternoon | —Members of the Task Force<br>—Dr. Riverin and research group from the University of Sherbrooke.<br>—Mr. François Poulin of Le conseil d'orientation économique de Québec |
| Québec Department of Agriculture | 29 May in Québec City afternoon | —Dr. Benoit Lavigne and officials<br>—Mr. Marcel Daneau and Mr. Yves Dubé of Laval University. |
| | " | —Messrs. Wampach and Ouellet of Laval University |
| Task Force Meeting | 5 June in Ottawa | —Members of the Task Force |
| Task Force Meeting | 6 June in Ottawa | —The Inter-departmental Committee |
| Task Force Meeting | 8 July in Regina | —Members of the Task Force Provincial Ministers and Deputy Ministers of Agriculture |
| Hedlin Menzies and Associates Ltd. | 9 July in Regina | —Met with representatives |
| Consultant | " | —Professor Thair |
| Saskatchewan Wheat Pool | 10 July in Regina | —Mr. Charles Gibbings and representatives |

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| Task Force Meeting | | —Members of the Task Force |
| Ontario Special Committee on Farm Income | 15 July in Guelph | —Special Committee officials |
| Task Force Meeting | 23 July in Ottawa | —The Inter-departmental Committee |
| Task Force Meeting | 14 August in Toronto | —The Honourable William A. Stewart, Minister of Agriculture for Ontario. Two Deputy Ministers of Agriculture. |
| Meat Packers Council of Canada | " | —Members of the Council |
| Ontario Marketing Board | " | —Mr. Earl Mighton and Mr. Burrell, Chairman and Vice-Chairman. |
| Task Force Meeting | 15 August in Toronto | —Members of the Task Force<br>—Members of Acres Research and Planning Ltd. |
| Task Force Meeting | 25 August in Edmonton | —Members of the Task Force |
| Task Force Meeting | 26 August in Edmonton | —Members of the Task Force |
| Canadian Cattlemen's Association | | —Representatives of the Canadian Cattlemen's Association |
| The Alberta Wheat Pool | 26 August | —Mr. G. L. Harrold and Mr. Nelson Malm, Chairman and Vice-Chairman. |
| | afternoon | —Dr. E. E. Ballantyne, Deputy Minister of Agriculture of Alberta and six heads of departments. |
| Task Force Meeting | evening | —Members of the Task Force |
| Farmers Union of Alberta | 27 August in Edmonton | —Members of the Task Force and members of the Farmers Union of Alberta |
| Alberta Federation of Agriculture | afternoon | —Members of the Alberta Federation of Agriculture |
| Task Force Meeting | 28 August in Victoria, B.C. | —Mr. A. H. Turner, Deputy Minister of Agriculture for British Columbia |
| British Columbia Government | luncheon | —The Honourable C. Shelford, Minister of Agriculture, the Honourable W. Kiernan, Minister of Recreation and |

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| | | Conservation, the Honourable W. Skillings and several departmental heads. |
| British Columbia Federation of Agriculture | afternoon | – Mr. Stocks |
| Task Force Meeting | evening | – Members of the Task Force |
| L'Union Catholique des Cultivateurs de la Province de Québec | 9 September in Montreal | – The Chairman, Mr. Lionel Sorel, the General Manager, Dr. Saab and Mr. Henri-Paul Blanchard |
| La Co-opérative Fédérée du Québec | 9 September in Montreal | – Mr. G. E. Turcotte,<br>– General Manager, Messrs. Albert Gingras, Jules St.-Germain, M. Lavallee, Roland Belcourt and L. P. Poulin<br>– Members of the Task Force |
| La Corporation des Agronomes du Québec | 9 September in Montreal | – Mr. Henri Brunelle, Chairman Messrs. Dominique Lemay, Jean-Marc Bélanger, Lucien Ruelland, Paul Morin and Théodore Mongeon. |
| Task Force Meeting | 10 September in Montreal | – Professor C. B. Haver and Professor John Kurien Members of the Task Force |
| Task Force Meeting | 25 September in Ottawa | – Minister of Agriculture, Professor MacFarlane, Mr. Comtois, Dr. Thain, Mr. Vaillancourt, and Dr. Poirier. |
| Task Force Meeting | 29 September in Toronto | – Members of the Task Force |
| Hedlin, Menzies Group | 30 September in Toronto | – Messrs. Ralph Hedlin, Merrill Menzies and Clive Davidson |
| Task Force Meeting | 20 October<br>21 October<br>in Toronto | – Members of the Task Force |
| Task Force Meeting | 6 November in Ottawa | – Members of the Task Force |
| Task Force Meeting | 26 November in Ottawa | – Members of the Task Force |
| Task Force Meeting | 27 November in Ottawa. | – Council of Deputy Ministers of Agriculture.<br>The Inter-departmental Committee |
| Task Force Meeting | 19 December in Ottawa | – Members of the Task Force |
| | 20 December | – Members of the Task Force<br>– Deputy Minister of Agriculture and Dr. Poirier |

1969

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| Task Force Meeting | 10 January<br>in Toronto | —Members of the Task Force |
| Task Force Meeting | 11 January<br>12 January<br>in Toronto | —Members of the Task Force |
| Task Force Meeting | 14 February<br>15 February<br>in Winnipeg | —Members of the Task Force |
| Task Force Meeting | 28 February<br>in Ottawa | —Members of the Task Force |
| Task Force Meeting | 14 March<br>in Ottawa | —Members of the Task Force |
| Task Force Meeting | 14 March<br>in Ottawa | —The Inter-departmental Committee<br>—Members of the Task Force |
| Task Force Meeting | 26 March<br>in Ottawa | —Provincial Deputy Ministers of Agriculture |
| | 27 March<br>in Ottawa | —Members of the Task Force |
| Task Force Meeting | 16 April<br>in Ottawa | —Members of the Task Force |
| Task Force Meeting | 21 May<br>in Toronto | —Members of the Task Force |
| Task Force Meeting | 24 June<br>25 June<br>in Ottawa | —Members of the Task Force |
| B.C. Tree Fruits Ltd.<br>B.C. Fruit Marketing and other groups in the industry | 3 July<br>in Kelowna, B.C. | —Professor D. MacFarlane, Mr. D. Woodward and representatives of B.C. Tree Fruits Ltd. |
| B.C. Egg Marketing Board.<br>B.C. Federation of Agriculture | 4 July<br>in Victoria B.C. | —B.C. Provincial Deputy Minister of Agriculture, and staff, officers of the B.C. Egg Marketing Board and B.C. Federation of Agriculture. |
| Coast Vegetable Marketing Board | 7 July<br>in Vancouver, B.C. | —Dr. MacFarlane, Mr. Woodward Mr. Gilmore<br>—Dr. MacFarlane met with Mr. McAnsh, consultant |
| L'Union Catholique des Cultivateurs | 21 July<br>in Montreal | —Dr. MacFarlane, Mr. Comtois Mr. Woodward; Dr. Saab and Mr. Alain (U.C.C.) |
| U.S. Embassy and Task Force Meeting | 23 July<br>in Ottawa | —Dr. MacFarlane, Mr. Woodward met with Mr. Eugene Olson, Agricultural Attaché and Mr. Norman. |

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| Canadian Embassy | 10 September in Washington | – Dr. MacFarlane, Dr. Thain and Mr. Woodward met with the Ambassador Mr. Ritchie |
| Library of Congress United States Department of Agriculture. | 11 September 12 September in Washington | – Messrs. Campbell, Paarlberg, Ioanes, Hjort, Bates, Juers, Wilson, Trelogan, Cowden and Hansen and Mr. Wilcox. |
| Industry, Trade and Commerce | 18 September in Ottawa | – Dr. MacFarlane, Mr. Woodward met with Messrs. Schwartzmann, Miner, McNaught and Heany |
| C.I.D.A. | 18 September | – Mr. Peters |
| Canadian Livestock Feed Board | 29 September in Ottawa | – Messrs. Perreault, McDonough, Dernier and Huffman. |
| Task Force Meeting | 29 September in Ottawa | – Members of the Task Force |
| Department of Industry, Trade and Commerce | 30 September in Ottawa | – Dr. MacFarlane met with members of the Department |
| Task Force Meeting | 17 October in Ottawa | – The Honourable H. A. Olson, MP., Minister of Agriculture, Mr. S. B. Williams, Deputy Minister, Mr. B. Williams, Executive Assistant to the Minister |
| Task Force Meeting | 18 October in Ottawa | – Members of the Task Force |
| Task Force Meeting | 21 November in Toronto | – Members of the Task Force |
| | 22 November in Toronto | – Members of the Task Force |
| Task Force meeting | 5 and 6 December in Toronto | – Members of the Task Force |
| Task Force meeting | 12 and 13 December in Toronto | – Members of the Task Force |
| Task Force meeting | 22 and 23 December in Toronto | – Members of the Task Force |
| Task Force meeting | 29 and 30 December in Ottawa | – Members of the Task Force |
| 1970 | | |
| Task Force meeting | 17 January | – Members of the Task Force |
| Canada Department of Agriculture | 2 January | – Honourable H. A. Olson, Dr. R. P. Poirier and Mr. D. Woodward |

## APPENDIX F

# SUBMISSIONS RELATING TO TASK FORCE WORK

### 1. *Solicitation*

At a meeting of the Task Force in Toronto on 27 December 1967 the policy governing solicitation of submissions was formulated. Both public and private parties were to be approached by letter and advertisement respectfully. Accordingly the Secretariat wrote to each provincial department of agriculture deputy minister to solicit a submission. At about the same time the following advertisement appeared in the publications listed below:

> FEDERAL TASK FORCE ON AGRICULTURE
> Submissions on Agricultural PROBLEMS and
> POLICIES are invited from Individuals and
> Organizations
>
> BEFORE APRIL 30, 1968
> (In French or English)
>
> For information and format write to:
> The Secretary,
> Federal Task Force on Agriculture,
> P.O. Box 1527, Ottawa, Ontario.
>
> Due to time limitations public hearing will not
> be held.

Publications in which advertisement appeared, by province:

| PROVINCE | PUBLICATION | LOCATION |
|---|---|---|
| Newfoundland | *The Evening Telegram* | St. John's |
| Prince Edward Island | *The Charlottetown Guardian* | Charlottetown |
| | *The Evening Patriot* | " |
| Nova Scotia | *The Halifax Herald* | Halifax |
| New Brunswick | *Maritime Farm* | Saint John |
| | *Co-operative Dairyman* | " |
| | *L'Evangeline* | Moncton |
| Québec | *The Gazette* | Montréal |
| | *Family Herald* | " |
| | *La Presse* | " |
| | *La Terre de Chez Nous* | " |
| | *Le Bulletin des Agriculteurs* | " |
| | *La Ferme* | " |
| | *Le Producteur de Lait* | " |
| | *Le Soleil* | Québec |
| | *La Tribune* | Sherbrooke |
| Ontario | *The Ottawa Journal* | Ottawa |
| | *Le Droit* | " |
| | *Agricultural Institute Review* | " |
| | *Financial Post* | Toronto |
| | *Globe and Mail* | " |

| Province | Publication | Location |
|---|---|---|
| | *Ontario Milk Producer* | " |
| | *Farm and Country* | " |
| | *Good Farming* | Don Mills |
| | *Canadian Swine* | Elora |
| Saskatchewan | *The Western Producer* | Saskatoon |
| | *The Saskatoon Star-Phoenix* | " |
| Manitoba | *The Winnipeg Free Press* | Winnipeg |
| | *Country Guide* | " |
| | *Canadian Cattleman* | " |
| | *Free Press Weekly* | " |
| | *The Manitoba Co-operator* | " |
| Alberta | *Albertan* | Calgary |
| | *The Lethbridge Herald* | Lethbridge |
| | *The Edmonton Journal* | Edmonton |
| | *Alberta Country Life* | " |
| | *Co-op News* | " |
| British Columbia | *Sun—Vancouver Province* | Vancouver |
| | *Canada Poultryman* | New Westminster |

In response to each request for details and format the following letter was sent:

*Agricultural Problems and Policies*

Thank you for your reply to the notice regarding the Task Force work and your interest in its success and effectiveness.

Our terms of reference are, broadly, an examination of the many aspects of the agricultural economy with a view to providing a comprehensive report to the Federal Government, Minister of Agriculture, in order to provide a basis for new policy decisions for the future. It is therefore of essential interest to the Task Force to have your submission.

Each submission should be confined to a single problem or policy and not be more than 1,500 words in length. The format to be followed should be:

(a) Statement of the problem.

(b) Short explanation of present legislation, policies or practices governing the problem and whether or not this is a provincial or federal question.

(c) Description of the effects, impact or cost of the problem or policies.

(d) Your conclusions simply stated.

(e) Your suggestions regarding possible solutions to the problems and, if possible, the effect that each solution would have on the agricultural economy.

Please type or write legibly on quarto size ($8\frac{1}{2}'' \times 11''$) paper using double-line spacing. Affix a cover sheet with the title of the subject, e.g. "Problem of Farm Credit to the Small Farmer in Northern Ontario", and include your name, address, affiliation, e.g. farmer, dairy manager, etc.

We, in the Task Force, are looking forward to your submission and ask that it be received by us no later than 30th April, 1968.

2. *Submissions Received*

As a result of the solicitation of submissions the following were received. It is interesting to note the response, by province and compare this against other factors such as: the number of publications used, by province; the incidence of farmers in the low-income range etc.

Although closing date for submissions was set as 30th April, 1968 we accepted them up to 15th July, 1968.

*Provincial Governments*

Alberta
British Columbia
Manitoba
New Brunswick
Nova Scotia
Prince Edward Island
Saskatchewan

*Private (by province)*

ALBERTA

| | |
|---|---|
| Alberta Wheat Pool | —Policy of Cheap Food |
| Canadian Cattlemen's Association, Calgary | —The Position of Cattle Producers |
| Theodore W. Farthing, Lousana | —Effects of the Federal Government's "Economic-sized Farm Unit" on the Alberta Farmer |
| R. D. Thirsk, Kelsey | —Problem of Diminishing Returns for Overproduction |
| Western Hog Growers Association, Edmonton | —Lower Per Unit Production Costs |

BRITISH COLUMBIA

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| Donald James Andow, Gibsons | —Problem of the Federal Task Force to Deal with Local Problems at the Federal Level |
| British Columbia Fruit Growers' Association, Kelowna | —Long-term Farm Financing |
| British Columbia Sugar Refining Company, Limited, Vancouver | —Cane and Beet Sugar Operations |
| Broadacres Farms Limited, Abbotsford | —Soil and Farm Produce Contamination |
| Murray Davie, Ladner | —Agricultural Land Use Policy |
| Stone Research Foundation Vancouver | —Health Through Good Nutrition |

MANITOBA

| | |
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| Carman District Farm Business Association, Carman | —(a) Production Research<br>(b) Tariff Protection or Floor Prices on Certain Crops Such as Oilseeds<br>(c) Agricultural Policy<br>(d) Grain Marketing Policy and Quota |
| K. W. Clark, Winnipeg | —Research and Education |
| Egg and Pullet Producers Association of Manitoba Morris | —Canadian Egg Market |
| Alexander Kwast, Snowflake | —Canada, World Utopia or U.S. Satellite in 30 years? |

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| Ben Lemky, Arden | —Income Versus Expenses |
| Manitoba Farmers' Union | —A Farmer's Point of View on Canadian Farm Problems |
| Western Manitoba Farm Business Association, Hamiota-Minnedosa | —Policy and Goals of Farmers |
| Winnipeg Grain Exchange, Winnipeg | —Agriculture Policy |

ONTARIO

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| Canadian Co-operative Wool Growers, Toronto | —Sheep Industry in Canada |
| Edward Goettling, New Dundee | —Why do Canadian Farmers Have an Ever-increasing Financial Problem? |
| Haldimand County Federation of Agriculture, Caledonia | —Long-term Farm Policy |
| Gordon Hunsberger, West Montrose | —Food Shortage and Canadian Surplus |
| David Kotchan, Simcoe | —Problem of Farm Credit to the Small Farmer |
| Meat Packers Council of Canada, Islington | —Policy Considerations for Animal Agriculture |
| H. M. O. O'Neil, Clarkson | —Surplus of Canadian Dollar Value |
| Ontario Federation of Agriculture, Toronto | —Agricultural Revolution |
| Ontario Grape Growers Marketing Board, St. Catharines | —Grape Growers Problems |
| Ontario Hog Producers' Association, Toronto | —Hog Producing |
| Ontario Tender Fruit Growers' Marketing Board, St. Catharines | —Fruit Policy |
| Martin C. Pick, Richmond Hill | —Prices, Planning and Technical Service |
| Lawrence A. Pogue, Wellandport | —Notes on a Long-Range Agricultural Policy |
| J. R. Rosenfeld, Wheatley | —Problem of Decline in Prices for General Cash Crops Mainly Corn and Soya Beans |
| C. Sabiston, Unionville | —Low-fat Diets and the Farm Producer |
| R. Schubert, Hamilton | —Four Crop Study |
| Wilbur Smith, Port Colborne | —Anger to Canadian Economy |
| Mrs. Alex Stuart, Renfrew | —Problem of Farm Credit to the Small Farmer of Northern Ontario |
| Waterloo County Federation of Agriculture, Kitchener | —Abundance of Cheap Food |

QUÉBEC

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| Fédération de l'Union Catholique des Cultivateurs d'Amos, Amos | —Expression "Paysanne" du Malaise Agricole |
| Office du Crédit Agricole du Québec, Québec | —Le Crédit Agricole au Québec |
| L'Union Catholique des Cultivateurs, Montréal | —Tendances et Problemes de L'Agriculture Québecoise |

SASKATCHEWAN

| | |
|---|---|
| Edwin Chamberlin, Semans | —Cost-Price Squeeze Confronting the Primary Producer—with Special Reference to the Western Grain Farmer |
| Mrs. Mary G. Hanson, Maple Creek | —Communication and Understanding |
| J. R. Knelsen, Moose Jaw | —Hog Production in Saskatchewan |
| Perrin Ranching Company, Limited, Beechy | —Problem of Farm Credit for Young Farmers and Ranchers Buying Into Companies or Co-operatives |
| Saskatchewan Conservation and Development Association, Tiny | —Effect of the Problem of Surplus Water on the Production and Income of Prairie Agriculture |
| Saskatchewan Poultry Board, Regina | —Saskatchewan Poultry Industry |