

[Chairman: Mr. Oldring]

[10:01 a.m.]

MR. CHAIRMAN: Good morning, everyone. We'll call the meeting to order and welcome you to another meeting of the Alberta Heritage Savings Trust Fund select committee. I want to welcome this morning the Hon. Shirley Cripps, Associate Minister of Agriculture. We're very pleased to have you with us this morning, Mrs. Cripps, and perhaps you can introduce your two guests with you here in a moment. It has been customary in the past, as you know, to offer you the opportunity for some opening remarks. It's then followed up with a question and answer period. The process and format still allows for one major question and two supplementaries, and I don't think it's changed at all, Madam Minister, since the time you served on this committee in the other capacity as a member.

So on that note, again, we would welcome you here this morning and invite you to open with some brief comments.

MRS. CRIPPS: Thank you, Mr. Chairman and committee members. It's a pleasure to be here this morning and be able to talk about Alberta agriculture and the Agricultural Development Corporation.

I guess since the last time I was here in January of '88, we've had some major changes in agricultural focus throughout the province. In early May it looked like we were going to have a major drought disaster. In fact, even to the early part of June we were very, very concerned about the feedstock supplies in Alberta and were doing some things which initiated programs to increase that and protect the agricultural community in this province. Crops since then in northern Alberta have matured well and some people tell me are the best they've had in years, and they're getting the crops off. I think probably in northern Alberta it's one of the best years they've had in some time. East-central Alberta is in stark contrast to that; the crops are very poor.

I did a crop tour on July 27, another one in August, and another one in early July, so I've been over most of the province driving and looking at crops, stopping and getting out and checking fields, walking into them. There's a vast difference, depending upon whether somebody got a shower or not and whether they had summer-fallowed. It's really interesting to drive around and see the variances in crops. That's significant for ADC too, because a lot of the problems we may have in some accounts could be attributed to drought, although one of the interesting figures I've looked at recently shows that the areas that are the most severe in terms of drought over the last couple of years are not the areas where we have high arrears in ADC, which is surprising me, because that's one of the excuses that's been used as a cause of the problem. Those figures show that in fact the people who are in the drought areas have worked very hard to keep their accounts current.

We're looking worldwide at probably lower feedstocks than we've had in a number of years, and that may cause increased prices again. It's actually a situation that's much similar to the late 1970s when we had low feedstocks and rising prices for a number of years.

In terms of the Alberta agricultural overall overview, we depend 80 percent in Alberta on exports. I know our friends across the way will not like to hear this, but free trade is probably the most important initiative we've had for Alberta agriculture in a number of years. We exported \$166 million worth of beef to the United States last year and \$103 million worth of pork and swine. That is a substantial market and we've got to

protect it.

We had a major review of ADC's role and mandate and had the Options and Opportunities report. We've acted on most of the recommendations in that report. We've renewed the mandate of ADC. We've made some changes in head office and in terms of the overall lending that I think will improve the delivery of service to the agricultural community, and that's key in ADC.

I'd like to emphasize at this point that over 90 percent of the ADC loans are current. ADC has responded with some new initiatives, the most recent being the indexed deferral program to assist borrowers in working through some of the problems they had.

ADC also has an agribusiness sector in its portfolio, and secondary processing is probably one of the most exciting areas in Alberta agriculture today. I just attended the Alberta food processors food show at Edmonton Northlands last week. It's incredible the amount of secondary food processing products, the variety and excellence of those products, and we're marketing them all across Canada and into Europe and the United States. Secondary food processing is probably one of the most exciting areas we've got, because it provides additional markets for our agricultural people.

ADC new loans are averaging about \$98,000. I'm really encouraged by that, because one of the historical facts of significance is that the larger loans are far more difficult to repay. I think we've had a turnaround in terms of the whole agricultural community, in looking at their loan requirements and saying, "Can we pay it?" So all the new loan averages are \$98,000. Last year there were 487 beginning farmer loans, and they borrowed \$45 million. Of course, that's at an assured interest rate of 9 percent for the life of the loan, with a 3 percent incentive for the first five years. Total incentives for '87/88 were \$13.4 million.

I think basically those are all the comments I want to make at this point in time. I think I'll respond to the questions with the rest of the comments.

MR. CHAIRMAN: Thank you very much, Madam Minister, for those opening comments and a broad overview on the state of the agricultural sector in our province today. Perhaps the committee might want to focus back in on the task in front of us, particularly ADC, and certainly, Madam Minister, you covered that extremely well as well.

I should, just before I . . .

MR. HERON: Introduce our guests.

MR. CHAIRMAN: Yes. I was just going to say that before I go on to questions, perhaps I can introduce our two guests. With the minister are Mr. Dave Schurman, the vice-president of administration, and Doris Armitage, the executive assistant to the minister. Welcome as well.

The Chair would now recognize the Member for Lacombe, followed by the Member for Athabasca-Lac La Biche.

MR. R. MOORE: Pardon me, Mr. Chairman; I was thinking about the questions I was going to ask.

Mr. Chairman, there is always a concern with any corporation or any part of government dealing with programs for people that eventually they generate into an area where a lot of the money that goes into the program ends up in administration and a lesser amount ends up with the people they are trying to help.

Now, with ADC, with all the changes we've made, it's my understanding that their loan workload has dropped about 70 percent, and with that shift I wonder if the numbers in the administration have been reduced accordingly, or where do we utilize that amount of the administration in the program today?

Now, in the farming community there's always been a concern about ADC being too bureaucratic and so on. We hear that complaint in every constituency. There isn't an MLA here who hasn't heard that. Be it true or false, that is a concern or image the public has of ADC. So with the workload in the loan portfolio down, have we been able to cut that administration so we could say to the people out there, "Look, we've streamlined this operation -- well, first of all, we've done a review -- we have now cut the size of the bureaucracy; accordingly, they're giving efficient service for the dollars spent"?

MRS. CRIPPS: Mr. Chairman, in response to the member's question, the administration is just over 1 percent of the corporation expenses in terms of the direct expenses of the corporation, and that's not including the lending, of course. One of the recommendations in the Options and Opportunities report was to improve the delivery of the service, and that's basically what we're trying to do. We're reorganizing the delivery of service so that more of the decisions are made out in the loans areas rather than at head office. We just hired a new general manager, and they're still in the process of reorganizing the corporation to streamline the delivery of service.

MR. R. MOORE: A supplementary, Mr. Chairman. With the reorganization -- and the shift of emphasis was in ADC -- has the staff increased in the last six months, or is it about to increase?

MR. SCHURMAN: Mr. Chairman, the highest level of staff ADC had, and that would include some temporary positions, contract type positions -- we were up as high as 201 positions about two years ago. Our current level is about 175 staff positions at the present time. The majority of the temporary ones and the contract positions have now been eliminated because the dates and expiry dates on those positions and the reason for having the positions have expired.

One thing I may comment on, though. As far as the workload goes, it's very true that our lending is down considerably from what it was in past years, but with the difficult farm situations we've had to deal with, each individual farm counseling job that our loans officers are doing is taking considerably more time than it would take to deal with them in better times. So the time spent with individual farmers, particularly the ones that are having problems making their payments, is quite a bit more than we've had in the past. The other thing we're dealing with, of course, is the land we have and trying to sell that land.

MRS. CRIPPS: I might add that we're working through stressed accounts, and if you're able to resolve the problems you've got there, it's a major saving to the taxpayer of the province.

MR. R. MOORE: Mr. Chairman, my third supplementary. This is in the area of ADC administration. I'm very pleased with the appointment of Mr. Splane, an excellent individual for that position. When are we going to have a full-time chairman in charge of the board instead of an acting chairman that we've been going under for the past year and a half or whatever? Let's get

down to saying, "These are the people in charge," and give them a ball and see what they can do.

MRS. CRIPPS: We've been working through the changes at ADC and the delivery of service and have been doing that very well with an acting chairman, and we'll soon look at the position of a full-time chairman.

MR. CHAIRMAN: The Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Thank you, Mr. Chairman. Did I hear right, saying that the minister will be answering questions about the whole agricultural -- not just ADC?

MR. CHAIRMAN: [Inaudible] Alberta Development Corporation.

MR. PIQUETTE: Okay, basically the way I had it prepared.

The minister in her opening remarks failed to basically do a review of the ADC, except in generalities, saying prices of farmers' products have gone up and the crops are better, especially in northern Alberta. That is very true, but we'd like to have here up-to-date information. About three pieces of information that are not in the annual report here are: number one, the total number of acres of quarter section the ADC now owns as Crown land, as being signed over by farmers through quitclaim or through foreclosures; number two, the deficit of ADC operation of '87-88; and number three, reviewing the in-depth look at the ADC lending procedures in view of the fact of the recommendation of ADC. What are some of the changes that have come about?

Now, I know perhaps the first two can be answered. The third one -- I'll come back with more specific questions later on.

MRS. CRIPPS: The properties we have at the present time: as of March 31, 1988, there were 379 properties and 784 quarters.

MR. PIQUETTE: How many?

MRS. CRIPPS: Seven hundred and eighty-four.

MR. PIQUETTE: That's to March 31?

MRS. CRIPPS: Now, since April of '88 -- because we're looking at a new year, of course, at the end of March -- we have acquired 129 properties and 266 quarters. But we've sold more than we've acquired.

MR. PIQUETTE: You've acquired 129 quarters and sold 200 . . .

MRS. CRIPPS: No, I'm sorry; I'm wrong. We've acquired 101 properties for 201 quarters and have sold 129 or 266 quarters. And you know that agricultural land generally sells in January, February, March till probably May 1. Land doesn't generally trade in the summer.

MR. CHAIRMAN: Supplementary.

MRS. CRIPPS: Wait a minute. The second question on the deficit is: at the end of the year, \$100 million; 1987, we're looking at \$66 million. That's the total deficit.

MR. PIQUETTE: Total deficit, \$66 million for [inaudible]?

MRS. CRIPPS: Pardon?

MR. PIQUETTE: And that's for the fiscal year?

MRS. CRIPPS: Yes. Well, I thought we were looking at 55 last night.

MR. SCHURMAN: Mrs. Cripps said \$66 million. That was March 31, '87. Now, \$100 million is the deficit as of March 31, '88. So the difference is \$33 million that we increased the deficit by in 1987-88.

MRS. CRIPPS: Thirty-six million of that was the write-off of Northern Alberta Rapeseed Processors.

MR. PIQUETTE: Yes. Now, going to look at the ADC lending procedures . . . We'll be coming back with more questions relating to the sale of property, et cetera, but going to the task force recommendations, one of the key recommendations that was made to ADC, to the various task force hearings, and in here in the committee of the heritage trust fund, was the right of first refusal, which time and time again both our party and, I know, your task force heard should be an option for farmers. Now, I find that the minister turned that down. But by using a backdoor method, people with the right political connections are able to get their land back through arranging sales of their ADC property to a second party and then buying it back from that second party through a kind of third-party manipulation of the rules, I guess, that very few people, very few farmers, know in Alberta.

For example, I gave the example of Floyd Isley, up in Bonnyville, who arranged that kind of sale through a friend of the government or of the PC Party and then bought it back a few months later, with a loss of about \$130,000 to the provincial government ADC by that situation. Now, instead of allowing that kind of playing the system with only people who know how to manipulate that system, why didn't the minister introduce that right of first refusal, which would have taken that kind of using political connections to make those kinds of buy-backs of ADC property?

MRS. CRIPPS: At the outset, if you think somebody has used political connections to make a special deal . . .

MR. PIQUETTE: No.

MRS. CRIPPS: That's what you damn well said. If you think that, then you prove it. And if you can prove it, you can be assured we'll look into it. If otherwise, you withdraw it.

Secondly, the sale of property to a third party is perfectly legitimate, and it happens in a number of cases where ADC determines that they can get more money for the property by allowing the owner to sell the property than they can by going the quitclaim or the foreclosure route. So they have to be assured that they can get as much or more in most cases than they do. Now, to turn around and buy the property back: there is nothing in our process at present which outright prohibits that. But I do know that if ADC has any idea that that kind of deal is being made, they have stopped sales in the past. We may look at tightening up the rules so that you can't buy the property back. We're just now looking at it, because it's surfaced in a number

of ways; that's not the only one. I think it's something we have to look at.

We have made a conscious decision that there won't be debt write-downs. Now, we'll do a lot of things in ADC. We'll allow for the indexed deferral plan. We'll allow for reamortization of arrears, postponing payments, and total refinancing. But we have made a conscious decision that we will not write down the loans. The first reason is that the people of Alberta have already substantially supported the efforts of the beginning farmer. To that end, everyone should have a chance to bid on the property if it comes up for sale. The first right of refusal, I can tell you, is not popular among the borrowers who are paying their loans. You have to realize that there are 8,776 direct loan borrowers who in many cases are making great sacrifices to keep their payments current. Those people who are not keeping their payments current for one reason or another should not have additional benefits over and above the people who are working so hard to keep their payments current.

I think it's important that we treat borrowers equally, and the first right of refusal is in fact giving a benefit to the people who are not making their payments as opposed to those people who are. Let me give you a couple of examples. I can think of an example where, in some cases . . . There are two or three loans where you have \$200,000 loans. The payment made over the term of four years since 1984 has been \$7,000 out of the person's personal funds -- \$7,000 on \$200,000. Now, commodity prices didn't affect that loan, because he wasn't making any payments. Drought didn't affect it, because he wasn't making any payments. I mean, if you take \$7,000 over four years on \$200,000, it's far less than 1 percent interest. So the person who has made a \$7,000 payment over four years on \$200,000 certainly shouldn't have a benefit over somebody who is down the road and has been making payments and thereby hasn't been farming on land that the people of Alberta purchased and paid for as opposed to the person who hasn't been making his payments. I see some of these quitclaims or foreclosures that ADC has approved and I'm stressed when I see someone who has a \$200,000 loan and has paid \$90,000 over the last few years and ends up in a quitclaim position. Where someone has had a \$200,000 loan and has paid \$7,000, they haven't got near the investment. Certainly they've got four years of their lives invested, but in terms of cash, everything that has come out of that \$200,000 investment has been personal gain basically.

MR. PIQUETTE: A final supplementary. It's a lot of window dressing in what the minister is saying, but in fact you have failed to answer the question. At the present time without the right of first refusal, which would not be any loss to the taxpayer because what it means is that the individual, the home quarter, would have the right after all the tenders are in, if he's able to borrow the money, to top that bid -- so in fact it's saving money for the government as opposed to losing money for the government. This kind of situation I brought up where farmers can keep their land by playing the system right, with some people having the information -- and most don't, because I've talked to a number of farmers in my area who have been foreclosed or have to sign quitclaims. At no time did anyone at ADC indicate that if they found a friend to buy the land and then they could buy it back from their friend a few months later, this was legal under the ADC lending procedures. It makes a mockery out of the whole fairness and equity and the ADC lending procedures if they allow that kind of gap to exist, if they say no to the right of first refusal.

So again, the minister may wish to window-dress this whole issue, but farmers and a lot of people know there's been manipulation of the system. It's been allowed by ADC to the benefit of a few and to the harm of Alberta taxpayers as a whole and a lot of farmers who wanted to keep farming using an ability to get back at least their home quarter.

MRS. CRIPPS: You must have not been listening. I said that if there was an abuse of the system, we would look into it and we would rectify it. As far as the sale of the land goes, make no mistake about it; it's not ADC. When that land changes title, it is somebody else's land. ADC is not allowing that to happen. If I sell you my property, it's yours once you've got title to it. If I don't have any money borrowed from ADC, they have absolutely nothing to do with it. So let's be absolutely clear on that point.

Now, if there's a clear intent to circumvent the policy -- we haven't got any clear intent demonstrated, but as I said earlier, if there's a clear intent to manipulate the policy of no write-downs, then we will look at making sure it can't happen.

MR. CHAIRMAN: Member for Wainwright, followed by the Member for Ponoka-Rimbey.

MR. FISCHER: Thank you, Mr. Chairman. My question is on our irrigation funding. What kind of . . . [interjection] Oh, is that not in your department?

MRS. CRIPPS: No. You've got to wait till Mr. Elzinga comes.

MR. FISCHER: Oh; I'm sorry. Farming for the Future isn't either?

MRS. CRIPPS: No. That's the other Agriculture. I can't understand why you've got me here alone.

MR. FISCHER: Then I'll go back to ADC for a minute. The drought areas, as you mentioned earlier, are the ones that were paying more up to date on their accounts than the areas that aren't in the drought. Now, what's your opinion on the reasons why?

MRS. CRIPPS: It's interesting, because I've asked ADC. When I was looking at the loans, the total loan numbers are basically the same in some of the drought areas as they are throughout the province. When I look at the reasons for severe financial stress on some of the information that I read that goes across my desk about those accounts, quite often it says that the drought situation is one problem and the price is another. I recognize that both of those have great influence on the farmers' ability to pay.

The fact that really surprised me is that in special areas 1,2, and 3, which are in the severe drought areas, the loan arrears are lower than anywhere else in the province. I asked ADC about that. I haven't correlated the amount of the loans; i.e., whether they're \$100,000 loans in that area on an average compared to, say, \$200,000 in other places. Most of the problems you see are the higher loans, so it could be that in the special areas that I've just mentioned, the loan amounts at the outset were smaller. In talking to ADC, they said that part of the reason they felt the loans were in better shape is that those accounts were more diversified; i.e., they weren't totally dependent on grain or cattle. As you know, one usually offsets the other in terms of

the viability of an operation. It's not too often that you have both cattle prices and grain prices at rock bottom at the same time.

MR. FISCHER: Uh huh. I was just wondering if it could be tied to the price that was paid for the land that was purchased.

MRS. CRIPPS: Yes, I believe that's part of it too. I should have mentioned that the land prices in those particularly dry areas of the province didn't escalate to the same degree that other land in the province escalated during the '78-81 period.

MR. FISCHER: So that says that people, because they paid too much for the land, are looking for ways to get out of their contract?

MRS. CRIPPS: That may be true in some cases; I'm not positive. Certainly the cost of land has to be based on productive value if you intend to use the land to repay the loan.

MR. FISCHER: My other supplementary is with our leaseback and our indexed deferral plan. How are they working? I haven't heard very much about the leaseback.

MRS. CRIPPS: Proportional quitclaim and leaseback?

MR. FISCHER: Yes. The leaseback portion of it and of course the indexed deferral plan.

MRS. CRIPPS: The indexed deferral is working very well. I've had a number of young farmers tell me that the indexed deferral has made the difference between them remaining a viable operation and in fact having to go out of agriculture. Of course, you understand that the indexed deferral is only used in cases where they can prove that in the long run they are viable. I mean, there's no point in propping up something that's unsolvable with indexed deferral.

We have about 1,500 applications on hand right now for indexed deferral, and those applications are the ones which had their loan maturity or payment date come due this spring. We have about 50 percent of the ADC loan payment dates coming due in the October, November, December time period. So those people haven't had to opt either in or out at this point in time. Everyone who has a loan has received a letter outlining the program, and they'll receive another letter to make sure they're aware of the program at maturity or the payment date of their loan.

MR. CHAIRMAN: Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. I guess along the same lines as the previous questioner. Earlier this year there was some discussion -- in fact, I think there's been discussion in the Assembly at least twice -- on the matter of vendor financing. Has ADC made any move to implement a vendor financing program? What is the status of that?

MRS. CRIPPS: ADC hasn't made a move to implement vendor financing. Actually, the recommendations in the Options and Opportunities report on vendor financing were that the government not be involved in it. We've looked at it. I've had a committee looking at it, and my understanding is that we would want to ensure that the vendor financing opportunities were fair

to the farmer as well as to the vendor. I'm talking about equity financing; sorry.

The vendor financing proposal is another one that we're still looking at. It's not an ADC initiative at this point in time.

MR. JONSON: Well, Mr. Chairman, I was going to also ask about the equity financing idea. It's been the topic of two or three agricultural financing conferences over the past while. Is there any consideration being given to new initiatives in the area of equity financing?

MRS. CRIPPS: At the outset, Mr. Chairman, the government doesn't have any initiatives on equity financing. I know that there are a number of groups looking at the possibility of equity financing, and as I started to say earlier, I think the role of the government is to ensure that as much as possible, without infringing on the agreement between private individuals, the playing field is level; i.e., the farmer knows where he stands, and the equity finance corporation knows where it stands. To that end, we're looking at it. We're working with people who might be interested, and we'll keep a close watch on it because it does have some merit. Both vendor and equity financing have merit, but again we have to make absolutely sure that the playing field is even in this area.

MR. CHAIRMAN: Final supplementary.

MR. JONSON: One other question, yes. The final supplementary, Mr. Chairman. Is the minister aware of any trend within the province towards financial interests taking a greater proportion of ownership or a greater equity interest in the farming industry in the province on investment basis?

MRS. CRIPPS: I don't believe so, Mr. Chairman. I believe that the financial institutions certainly aren't, at this point in time, acquiring land for the purpose of equity financing. My understanding is that some of the financial institutions may have some land, but the fact is that they're selling it. They're even, in some cases, going to auction with it. My latest indications from the financial institutions are that they do not want to become landholders.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Mountain View, followed by the Member for Lloydminster.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'd like to follow up with a few questions to the minister to clarify some of the answers she gave earlier to the Member for Athabasca-Lac La Biche regarding an instance in the Bonnyville area where a gentleman sold a parcel of land. He had a mortgage with ADC registered against the title for about \$200,000. That mortgage was discharged, and I'd like to ask the minister whether ADC received all of the moneys that were to come due under the mortgage agreement that it had with Mr. Isley. Or did in fact not all of the mortgage get paid off as a result of that discharge?

MRS. CRIPPS: I'm not sure, Mr. Chairman, how far I can go in answering that question, because as you know, there are a lot of cases at ADC that I'd like to talk about and I can't. I might say that there was a quitclaim, and in a quitclaim procedure the lender and the borrower come to an agreement that at a certain

period in time, under certain conditions, the lender will absolve the borrower of the obligations they have in terms of the money owed. In the case that you are talking about, if it's a quitclaim, I have not seen a quitclaim yet where all of the original mortgage that was owed to ADC has been paid.

MR. HAWKESWORTH: Well, I'm not sure that it was a quitclaim, and it would be helpful if the minister would tell us whether it was or not. It was sold to a third party, and as a result of that sale the mortgage was discharged.

I take from her comments, then, that Alberta Agricultural Development Corporation did absorb a loss on that transaction. I'd like the minister to tell us how much loss they absorbed once that mortgage was discharged.

MRS. CRIPPS: As I said earlier, I believe that in all quitclaims there is a loss to ADC. I haven't seen any where there isn't. I could be proven wrong. As far as the exact amounts, I believe that's a matter of confidentiality between ADC and the borrower.

MR. HAWKESWORTH: Mr. Chairman, I'd like to ask the minister whether she has any concerns over the fact that an individual can sell land to another, as a result ADC takes a substantial loss, and then a couple of months later that individual goes back and repurchases that land from the person they sold it to just a few months earlier. Is she concerned about that? Does she consider that abuse of the system, or is that perfectly acceptable procedure as far as she's concerned in the discharging of obligations under the Alberta Agricultural Development Corporation?

MRS. CRIPPS: As I said in an earlier answer, the sale of land to a third party by ADC is done in cases where ADC is going to realize as much as or more than they could realize from the property if they did an outright quitclaim or foreclosure. That's the terms of the sale. Quite often the sale is made to a third party because you don't go through the changes in land and all of the costs that are incurred. The sale of the land by the purchaser subsequently is a private transaction which has nothing to do with ADC. But if it becomes apparent that that method of obtaining a debt write-down is going to become commonplace, we will put measures in place to stop it.

MR. CHAIRMAN: Member for Lloydminster.

MR. CHERRY: Thanks, Mr. Chairman. To the minister. I want to target in on Options and Opportunities, which was a magnificent piece of work by a group of talented people. My question would be: in general terms, have a lot of the recommendations of Options and Opportunities been put in place by the department, or are you still in the process of looking them over and seeing which ones you feel are best suited?

MRS. CRIPPS: About 80 percent of the recommendations of the report have been implemented or discarded, as it were, notwithstanding that it was an excellent report. The rest of the recommendations which we're still working on are the recommendations on the beginning farmer. I have talked to a lot of beginning farmers, and I think we're ready to move on that. The equity and vendor financing that the Member for Ponoka-Rimbey talked about, we're still working on. We've got a committee working on those recommendations, because I believe the

agricultural community and certainly the government of this province want to make available to the agricultural sector all of the various opportunities to obtain financing. Usually the best financing can be obtained when there's a variety of choices. So we're still working on that portion of the report.

MR. CHERRY: I would just ask you one more question, and that would be on the counseling aspect. Has the counseling been what I would probably call put in high gear? In other words, a financial statement by a beginning farmer at the end of the year indicating that he's going to run into trouble: are the counselors out there now and moving quickly to assess it and try and help this young farmer, rather than after he does get in trouble and then try to salvage what there is?

MRS. CRIPPS: That's a very good point, and I think it refers back to the question the Member for Lacombe asked earlier. It's imperative that we do know what's happening and work with these people before they're in trouble. In an earlier response we talked about the time it takes. It takes an awful lot more time to work through an account than it does to make the original loan. Lending money is easy. Paying it back is sometimes very, very difficult. So the aim of the corporation and the aim of the new program I introduced earlier this year, the financial initiatives program, is to try and help the borrowers work through their difficulties and look at their options. Some of the new programs we've introduced -- the indexed deferral plan, reamortizing of arrears, postponing payments, and proportional quitclaims -- may not help the farmer in the end, but at least he has some options he can look at in the interim. It gives him more flexibility, and hopefully by working with him at an earlier time solutions can be discovered rather than going to the final quitclaims or foreclosures.

MR. CHERRY: Thank you.

MR. CHAIRMAN: The Member for Calgary-Forest Lawn.

MR. PASHAK: Thank you, Mr. Chairman. I'd like to ask a general question about, I suppose, the financial status of ADC and maybe, to give some focus to that, to ask a question about the 129 properties involving 266 quarters that were sold since April 1, I take it. Is there kind of an average amount that the province obtained per quarter? Did we lose money on acquiring those properties and then reselling them, and how much? What's the general sort of policy for liquidating properties compared with what we lose or gain when we acquire them? It's a very broad, general question, but would the minister be prepared to . . .

MRS. CRIPPS: I can answer in general, broad terms because I don't have the specifics in front of me. Certainly we lose money. There is no question that when ADC acquires land that was purchased and mortgaged in probably the '78 to '82 period, it was at a higher price than it would receive on the market today. The general policy in terms of selling the land is to get fair market value. Now, the fair market value today is in many cases less than the fair market value was back in 1980. So there's no question; we're losing money on that. Actually, ADC has already taken the loss by the time the property is offered for sale. ADC takes the loss when they accept a quitclaim or foreclosure and gain title to the property. It's not marketed until ADC has title to the property.

MR. PASHAK: Just as a supplemental to that answer, I did ask about the overall financial status. Maybe the minister might want to make some comment on that.

MRS. CRIPPS: I beg your pardon; the overall -- how do you mean?

MR. PASHAK: I guess ADC just gets funded. It doesn't have an operating budget on which it loses or gains kind of thing. It's relative to money that's provided.

MRS. CRIPPS: ADC is actually financed out of the general revenue. Part of the financing goes for operating losses, part of the financing goes for the operations of the corporation, and the rest of the financing basically goes to subsidize the beginning farmer program and to subsidize the borrowing from the Heritage Savings Trust Fund, which we're looking at today, because the average interest rate of all of the loans to ADC from the Heritage Savings Trust Fund is 11.2 percent. I believe that's down from 11.7 percent last year, if I remember rightly, because some of the more expensive loans we've got would have reached maturity. Right?

MR. SCHURMAN: Yes.

MR. PASHAK: Is that considered my supplemental or clarification?

MRS. CRIPPS: No, I think it was clarification.

MR. PASHAK: Okay. Could the minister provide an average figure for the price obtained per quarter for those properties that were sold, roughly or a range of prices?

MRS. CRIPPS: Well, the average is about 60 to 80 percent recovery of the original on the land; the buildings only about 40 percent recovery. So if you've got a property with buildings on it, it probably sold for a lot more in terms of today's value than the actual land. Most of the quarters, I think, are trading, I'd say, between \$50,000 and \$80,000, aren't they? Whereas they were probably \$100,000 to \$115,000, in some cases much higher than that. The very best land is actually the land we're losing the most on. You know, the very best soil and some of the irrigated land are the lands which escalated faster. I guess that goes back to the Member for Wainwright's question on the special areas.

MR. PASHAK: I'd like to make an observation so I don't lose a supplementary. There may be some value in sitting back and waiting till land prices come back before we dispose of that property, but I'll just set that aside for the moment.

I'd like to ask a question. The total investment for the Alberta Agricultural Development Corporation is listed in the annual report of the heritage trust fund at \$1.017 billion. Again, I've raised this question with another minister. In what sense is that really and truly an investment? Can we recover that, or is that money that's just been spent? Do we have a billion dollars in recoverable assets there?

MR. SCHURMAN: The corporation owed the heritage fund at the end of March '88, \$1.016 billion outstanding in debentures. Against that we have assets, which are loans and properties held for sale -- and this is at values that can be recovered -- of \$926

million. The difference essentially is our deficit of a \$100 million.

MRS. CRIPPS: Over the last 14 years we've had 3.4 percent write-off of properties. If you'd taken NARP out of that, which was \$36 million -- and the rest of the portfolio is mostly agricultural, farms -- it's 2.1 percent. So, basically, if our commodity prices rise and agriculture remains strong, we should not be at risk.

But I wanted to go back to the comment that you made in terms of holding the land. [interjection] No, but it's important because while it may be to ADC's benefit, in terms of the way they look, to hold the land until it's higher priced, it may not be to the benefit of the people we want to see in agriculture, who are the young farmers, because now is a good time to buy and begin farming. What we want to do in the long term is ensure the success of the beginning farmer or the young farmer and the overall success of agriculture. So there are two sides to that.

MR. GOGO: Mrs. Cripps, it's just amazing how people can apply 20/20 vision in hindsight and say, "If it had been." I think the issue with ADC is: did they follow good business practices when they made the decisions? I think that's the issue. For example, should you hold or sell the land? People seem to forget money earns money, and money must double in 10 years to maintain itself alone. So I wouldn't support the argument that you should hold the land, unless it's a good business decision.

Madam Minister, I wonder if you could walk me through the criteria for ADC loans related to the policy with the Farm Credit Corporation. They're both major lenders in this country. The Farm Credit Corporation historically used long-term yields, long-term prices, and so on to come to what you described a few minutes ago as the ability to repay a loan being the basis on which ADC would lend the money. Could you share with the committee very briefly the criteria, notwithstanding the fact that I don't think we use the term "young farmer" anymore? I think that's discriminatory. Anybody who wants to borrow, I think, has the opportunity to borrow. Would you compare the criteria at ADC for lending money with people like Alberta Treasury Branches and the Farm Credit Corporation?

MRS. CRIPPS: Basically, I think the criteria of all lending institutions -- ADC, the Farm Credit Corporation, Treasury Branches, and the banks included -- would be the same. They're all looking at repayment ability. That would be the number one criterion. The problem we've run into is that the criteria and the inputs into that decision back in 1979 and '80 -- as you said, in hindsight, 20/20 vision -- were a far different circumstance than the criteria that have emerged in the last couple of years. That's the reason banks and FCC and ADC are realizing substantial losses in agriculture.

The one criterion which was unique to ADC is the beginning farmer. We made a conscious effort to get beginning farmers into agriculture. We didn't guarantee them success, but we made a conscious effort to get them in. At the outset ADC also was a lender of last resort, and we were severely criticized, I think, in some areas for "that only" aspect of lending, so we moved to the beginning farmer and away from the lender of last resort. But that was the original focus, and then we moved to the beginning farmer program.

I might add that the foreclosures and stressed accounts that FCC has now are three times as high as ADC, and that's basically because of the moratorium they had for three years, which

did not assist the stressed account one whit. They just prolonged the agony and delayed the ultimate decision that had to be made.

MR. GOGO: Thank you, Madam Minister.

With the regard to the Law of Property Act, which is unique to the province of Alberta, where the lender can take no more than the residence regarding residential property in Alberta, is that what is applicable to the agricultural scene regarding the home only, or is that applicable to the home and the land if a person has borrowed from ADC?

MRS. CRIPPS: As I understand it, under that Act a man can keep \$40,000 and his spouse can keep \$40,000 if there's a foreclosure. Is that what you're talking about?

MR. GOGO: Well, Madam Minister, with the Law of Property Act the lender only has access to the property involved and cannot pursue any legal measure to acquire additional debt. My question again: is that only applicable to the farm residence plus several acres, like under Revenue Canada rules, or is it applicable to the residence as well as the farmland?

MRS. CRIPPS: ADC has to act under the Law of Property Act and, as I understand your question, cannot go after additional payments. They don't have access to 178 of the Bank Act. What the decision that I think you're referring to does, the Holowach case, is make it mandatory that in the future ADC, I think, is much more careful about the mortgage and maybe the chattel mortgages that they might want to have.

MR. GOGO: A final question, Mr. Chairman. In regards to foreclosure, foreclosure costs are not minimal costs; they can be quite expensive. They're borne by the lender in the cases we're talking about, as I understand it, because you cannot pursue the borrower. Could the minister advise the committee what the foreclosure costs have been in the past year or two years in terms of the legal bills? And is there or has there been consideration given to in-house lawyers such as the Attorney General's department and so on doing the foreclosure legal work, recognizing the fact that there's no hope of recovery?

MRS. CRIPPS: The average cost of foreclosure over the last couple of years has been \$1,000 to \$1,500 per account. Generally speaking, ADC would receive over and above that, probably by a quitclaim. Certainly the borrower is in better shape if they don't go through the foreclosure route in terms of their own credibility and creditworthiness.

MR. GOGO: But there's no consideration, Madam Minister, to doing it in-house in terms of the legal work? Private lawyers are hired?

MRS. CRIPPS: I think a lot of it's done in-house, isn't it?

MR. SCHURMAN: ADC actually has two lawyers on staff: one who's involved mainly in new lending, and the other one is involved in the collection procedures. Our lawyers don't actually do the appearances in court. We hire third-party lawyers to do that because one person just can't do it all. But we felt it was more cost-effective to use private lawyers who are located in the various areas that the land is located so that we don't run up huge bills and travel expenses and those kinds of things. So we

think we're doing it on the most cost-effective basis that we can.

MR. GOGO: Thank you.

MR. PENGELLY: Mr. Chairman, I move that the meeting be adjourned.

MR. CHAIRMAN: We still have a few more names on the list, thank you.

Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Probably he wanted to adjourn before we go much further, I guess.

I'd like to go back again on the whole aspect of ADC lending procedures and the quitclaim procedures. Again, I have other examples of farmers who have paid out personal kinds of settlements in order to go through the quitclaim process, because they were told that if they didn't turn over some of their personal assets, then they would be foreclosed, where they would be losing all of their creditworthiness privileges if they were put through the courts. Quite a few of them have reported to me that they have signed these personal guarantees mainly because of the pressure -- and some of them have even allegedly called it a blackmail tactic used by ADC staff -- that if they did not put across their personal guarantees or whatever, then of course, "We can take you to the cleaners when we bring you to court." Now, according to the court decision, this is not permissible here in Alberta, according to the federal FCC, Farm Credit Corporation. Questions in the House were asked of the minister relating to these allegations.

What has the minister done to review all of these cases where personal guarantees have perhaps been made under threats of putting people through the wringer if they didn't choose that option, in order to rectify that injustice that has been perpetuated and which even breaks the provincial law?

MRS. CRIPPS: Well, in the first place, when a borrower signs an agreement with a lender, they have a legal and moral obligation to make payment. They can't decide down the road that they don't like the loan because now the property isn't worth as much as it was to begin with so they're not going to pay. And that's basically what you're saying here. I have great empathy for the borrower who has worked very, very hard to make his farm a success and absolutely cannot make the payments and absolutely can't work out of his debt situation -- a great empathy for those people. That's a far different circumstance than a borrower who has substantial equity -- built up in some cases at the expense of ADC and the taxpayer of this province -- who decides they don't like the debt so they're not going to pay. If they decide that they want to have a personal settlement or a quitclaim, that's an agreement between the borrower and the lender, and that agreement can be anything the two of them agree to. ADC has an obligation to the taxpayer of this province and to those borrowers who are making their payments to ensure that they treat them fairly as well as the person who is quitclaiming. So if they agree to a settlement, which in some cases may in fact ask for, i.e., the land rent for the last two years over and above the outright title to the land, that's fair if that's the agreement the two parties come to and sign.

As far as this so-called "blackmail tactic" you talked about, I keep hearing it in meetings like this and in question period, but the fact of the matter is: I have never had one incident I could look into and say yes, this is happening. If in fact you have ex-

amples, give them to me and I'll look at them. One of the things that I will ensure is that every borrower in this province is treated fairly. There's an appeal mechanism, and if they aren't satisfied with the decisions made by ADC, I will ask them to review it. We've set up a committee separate from the lending committee to ensure that the appeal committee is separate and will take a new look at those situations. This blackmail tactic is a figment of a lot of people's imaginations. You've got to remember that what we're talking about is an agreement between a borrower and a lender.

MR. PIQUETTE: I also sympathize with the farmers who have kept on making their payments. That is not the question. I mean, we're in this situation of a low commodity price where a lot of farmers have been stressed to make payments. You know very well it's not just been all the fault of the farmer, that we've had a bunch of shysters out there all trying to defraud the government. In a lot of cases you know very well it's been the commodity price that is the main reason why those farmers have not been able to make their payments.

But in view of the fact that, you know, the court here in Alberta ruled that . . .

MRS. CRIPPS: Just a minute. Just to be clear, I said that I have great empathy for those people who are caught in the commodity prices and are unable, absolutely unable to make their payments and to work their way out of this financial difficulty. Let's not mix that in with the rest.

MR. PIQUETTE: Okay.

Now, in view of the fact that we have a decision by the Alberta court which indicated that the FCC is only eligible to take what has been guaranteed in terms of mortgage or personal guarantees that have been entered into, whether it be cattle or whatever -- in view of the fact that FCC has to follow that rule now in Alberta, what is the position of ADC? Will they follow the Alberta court decision, or are you saying that they are exempt? I mean, if they're exempt at the foreclosure, they should be also exempt to farmers at the quitclaim -- or change the laws. I mean, there's an option here of making sure we follow the laws of the land.

MRS. CRIPPS: Number one, we are following the law of the land, and number two, you're talking about two different procedures. The question you asked me was about quitclaims; you are now talking about foreclosures.

MR. PIQUETTE: Well, or quitclaims. Aren't they both . . .

MRS. CRIPPS: And in foreclosures we are following . . .

MR. PIQUETTE: Aren't quitclaims exempt from the Alberta court decision on the . . . This is what I'm asking.

MRS. CRIPPS: The law says, according to the Holowach case, that you can't pursue, under foreclosure, additional assets to settle a debt. As I explained earlier, under a quitclaim you have an agreement between a borrower and a lender that the borrower is being absolved of his debt by the lender under certain terms of agreement, and that agreement can be whatever agreement the two parties come to.

MR. PIQUETTE: Have you had a legal interpretation of that?

MRS. CRIPPS: What are you talking about? What do you mean, a legal interpretation? The legal interpretation is that it's an agreement between two parties. And under the terms of that agreement, whatever the terms are -- whatever the terms are -- the borrower is absolved of the debt and the lender takes his losses.

MR. CHAIRMAN: Member for Cypress-Redcliff.

MR. HYLAND: Thank you, Mr. Chairman. Firstly, back on this quitclaim. If I get the right understanding, a quitclaim is a mutual agreement signed by both parties that whatever will happen, and it'll be paid or not paid or whatever. People sit down and they sign that thing. If they don't, it goes to foreclosure. Then comes the court case. The court then decides what happens, and we would get into the other. I believe that understanding is right. My question from that is: what portion of the actions taken by ADC are quitclaims, what portion are foreclosures, and falling from . . . Well, that's the first one.

MRS. CRIPPS: There are more quitclaims than foreclosures. And certainly if, as the Member for Athabasca-Lac La Biche said, the borrower could receive more benefits by going the foreclosure route, he would do it. So if he feels there's a benefit to him by going the quitclaim route, he's going to do that too. In total last year there were 349 clients that went either one or the other; 243 were voluntary consents or quitclaims, and 106 were the foreclosures. Those foreclosures, by the way -- I've seen those, and the majority of them are many, many years in arrears. They would not have been implemented in 1988 under any other lending institution. They would have been in 1985 or '84.

MR. CHAIRMAN: Supplementary.

MR. HYLAND: Yeah. So in rough terms we're looking at a little less than a third under foreclosure and a little more than two-thirds that both parties have come to agreements on what will happen. Secondly . . .

MRS. CRIPPS: Well, Alan, maybe I could add to that. A lot of the foreclosures that ADC initiates or is involved in are not because ADC wants to foreclose, but it's because it's initiated through another lending institution. The farmer wants to go that route because they can preserve more of their own equity by going that route, particularly in view of the fact that they are involved with other lenders. So in many cases -- 40 to 50 percent -- those actions are not initiated by ADC. They're actually initiated at the request of the borrower.

MR. HYLAND: My second question is -- assuming it's the second question . . .

MR. CHAIRMAN: Yes.

MR. HYLAND: How many years does ADC go without payment before they initiate action? Why I ask it is that we keep on hearing about the problem being because of low commodity prices, and it no doubt is a problem. But we'll have people, side by side, making their payments and some not making their payments or making a portion of them. I wonder: how long does ADC go before they'd start an action? Do you have a rule of thumb that says if you're X years behind? Or if you're a long

time -- commodity prices have been down, dropping -- what? Over the last three years? Previous to that the price of grain was where it has been for a number of years. Or are some of the loans back in -- you just mentioned '84. Do some of them go back that far that they haven't been making payments?

MRS. CRIPPS: Some of the quitclaim and foreclosure actions go back to 1981, and there have been virtually no payments. Now, there are a number of reasons that this is the case. Some have been trying to pay. ADC tries to be flexible. I guess, in terms of today -- and let's talk about today -- ADC is trying to be as flexible as possible, given that we have had low commodity prices. So if the account looks like there's a workout possibility, then they would be flexible in terms of dealing with either the quitclaim or the foreclosure. I've seen quitclaims and foreclosure information where there's virtually no debt or arrears to arrears that are about six, seven years. I find the long-term ones surprising. Frankly, we're working through those accounts, and there's less and less of them now. One of the reasons, as I understand it, was that property values were increasing, so ADC was not at risk in terms of the arrears. That's not true today, so those suddenly become accounts which aren't totally covered. You asked about that.

One of the things that the Law of Property Act and the personal covenant -- I think one of the results of that decision may be that you have to look at accounts before they get quite so far in arrears; you have to look at them more closely. I think that's just good business in any case. I think ADC loan officers should be talking to people who are in arrears almost immediately and find out what the problem is. Maybe it's something that can be resolved on an immediate basis, and in fact, a reassessment of what they're doing in a managerial sense can resolve the issue.

MR. CHAIRMAN: Final supplementary.

MR. HYLAND: A comment, then a quick supplementary. I guess, if one can assume the answer I think you gave to the Member for Wainwright relating to the percentages in the drought area of back accounts that were fairly low, those people have been subject to a lot of stress not only this year but in the previous years -- a couple years of drought -- and somehow those payments have been made. They've kept up to date, if the figures she uses are right.

My final question is: is there any way of knowing the percentage of accounts where one family runs a farm, say a father, who split it one, two, three ways to sons, sons-in-law, whatever? He sold the farm, and now three people are trying to make a living off that same chunk of land, and not only trying to make a living but trying to make payments in the range of -- if you assume in irrigation, in rough terms in the high years land was moving for about \$200,000 a quarter. So there are three families trying to make a living off the same amount of land. The parents have got that money, whatever they've done with it, whether they've reinvested it, put it in their mattress, or whatever. Are there any figures, the percentage of loans we have out that are that way, and if it's possible to find out, what percentage of those loans are in a severe arrears situation?

MRS. CRIPPS: One of the stated aims of ADC -- and that goes back to the Member for Lethbridge-West's question earlier -- was to ensure that there could be a transfer of farms from generation to generation. And I think that was a legitimate objec-

tive of the government, given the increasing age of the agricultural sector. By allowing for a transfer of land from generation to generation, I think that's still an objective that is very desirable and one that all of us would probably favour and support. But given that that objective was there, which allowed for the sale of land from a parent to a son or a daughter, there are a number of cases where the sale of that farm to sons and daughters resulted in abuse of the system. And in a number of those cases we have quitclaims; we have an incredible amount of quitclaims where you have more than one family member purchasing land from the parents.

I'll use myself as a personal example. We have two sections of land which make us a good living. It supports, and has for a number of years. But if we took those two sections of land and sold them to our two daughters and each of them had a \$200,000 loan, one on each section, there is no way on God's green earth that farm will pay the \$200,000 each has -- or a \$400,000 loan -- plus a living for those two children.

So in cases where the parents have divided their farm and sold portions of it to a number of children, the fact is that they have either quitclaimed or been foreclosed or gone bankrupt. There are a number of cases which have happened in that manner. I happen to know about them because they've gone through the quitclaim procedure. When you look at a farm which has supported one family and find it's now supposedly trying to support two or three families with substantial debt, you have to wonder what in the world the parents were thinking of, because each and every one of us knows what kind of debt a farm unit can sustain, particularly our farm unit or your farm unit or their farm unit, and at what debt level it's bound to go under. Frankly, when I see cases like that, it's sheer child abuse. It makes me very, very sad to think that parents can do that to their children: put the debt on their shoulders and walk away with \$200,000, \$400,000, or \$600,000 and not feel obligated to do something when they get into trouble. And the problem I have with it is that the stigma of failure is on the young person, and certainly the stigma of failure should not be on the young person. There may be another stigma attached, but it shouldn't be on the young person.

MR. CHAIRMAN: Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. In answer to previous questions I asked the minister this morning about these transactions surrounding a Mr. Floyd Isley in the Bonnyville area, the minister said, as I understood what she said, that a private transaction between that gentleman and another individual did not concern ADC, or a private sale does not concern ADC. I'd like to bring to the minister's attention -- I'm sure she's aware of it -- that the new purchaser of that land did not assume the mortgage; the mortgage was discharged by ADC. So she has to understand that ADC had to be an active participant in that transaction. That was confirmed by Mr. Randy Niven, the ADC manager of field services in Camrose, who was quoted in the *Bonnyville Nouvelle* last month as saying:

ADC can't collect any shortfalls that may result from the sale of the land privately, if they've agreed to allow the sale.

And I emphasize the words "if they've agreed to allow the sale." Now, that's contrary to what the minister said in her earlier statement. ADC is in fact a concerned and active participant in these kinds of arrangements. So I'd like to ask the minister who it was in ADC that agreed to these arrangements whereby this

land was sold for \$70,000.

MRS. CRIPPS: You make my point exactly when you say that ADC isn't involved in the second deal. You're not listening very carefully, because what I said was that the mortgage was discharged under an agreement. ADC then no longer has title to the property; the property is transferred to a new owner as all properties which are sold or through which there is a third-party agreement. Once the property is held by a third person with no mortgage to ADC, then ADC does not have an involvement.

As far as who makes the decisions, there's a board of directors at ADC, and they make the decisions on all either loans or stressed accounts which are over and above the authority of the people in the field. I don't get involved in any loan decisions or in any of the quitclaims or foreclosures. If someone comes to me and says they have been treated unfairly, then I ask ADC to review it. But I certainly don't become involved in those loan decisions. The only loan decision or land decision I've given a direction on since I've been minister is the one that involves the dinosaur eggs site. ADC had land they held title to which could be traded, and I said: "That's a valuable historic resource. If we've got land in the area, we should make the trade." That's the only one. And I believe that site is of such significance to the people of Alberta and to our heritage and our future that it was one that I was willing to give a directive on. Other than that, I do not give directives.

MR. CHAIRMAN: Calgary-Mountain View with a supplementary.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'm trying to determine who in ADC agreed to the sale of this land by Mr. Floyd Isley to Mr. Jim MacDonald with the subsequent discharging of the mortgage to ADC.

MRS. CRIPPS: Whoa, whoa. You've got to stop right there, because you're talking of two different circumstances. You're repeating the question and repeating it. As long as ADC is going to get an equivalent value from the land by allowing the board to sell it to a third party, then that's a normal discharge of the mortgage.

DR. WEST: Market value.

MRS. CRIPPS: That's right: market value for the property.

MR. PIQUETTE: Who determines market value?

MRS. CRIPPS: They determine market value all the time. If... Go ahead.

MR. CHAIRMAN: Final supplementary.

MR. HAWKESWORTH: No. I didn't even ask a question. I was interrupted before I could get to my second question.

I had asked the minister: at what level of ADC are these agreements agreed to? Does it happen at the branch manager level, or do they go to the board of directors? This particular transaction whereby Mr. Isley sold his land to Mr. Jim MacDonald for \$70,000 had to have been approved and agreed to by ADC in order to discharge that mortgage. Who is the individual or individuals at ADC that make those decisions?

MRS. CRIPPS: Those decisions are made in the head office of ADC, and I can't give you the information on who made the decision because I don't know.

MR. CHAIRMAN: Final supplementary.

MR. HAWKESWORTH: Mr. Chairman, what I'm trying to determine here is whether there's a policy governing these kinds of transactions and reviews of these transactions by ADC.

MRS. CRIPPS: Yes.

MR. HAWKESWORTH: Then if we have a policy, it should be clear and straightforward and known to everybody who it is that makes the decisions to approve them. That should be part of the policy. So if it's head office, perhaps the minister could then tell us: what are the criteria that ADC uses in terms of informing everybody out there that this policy exists? It seems that there are only a very few people in the province that know ADC even has such a policy, and what we're trying to determine is if it's a policy for everybody or is it a policy for a select few? And if it's a policy for everyone, it should be easy for you to tell us here today just exactly what it is from step A to step Z, and that's available to everybody in the province who has a mortgage with ADC. That's what we're trying to determine here.

MRS. CRIPPS: Okay. In your effort to beat around the bush and go over and over and over the same thing, you're not listening. Now, would you kindly listen this time? One, there is a policy -- and I've stated it, I think, on four different occasions in the last hour and 40 minutes -- that ADC can approve through a quitclaim procedure the sale of land to a third party providing that that third party is not a family member and not related to the borrower, that ADC is getting fair market value or better than fair market value or as much as they would get under a quitclaim or foreclosure in terms of the transaction. That's a policy, and that's a standard procedure under ADC. Now, that's the question you're asking.

The question you're implying has to do with the resale of that land, which is no longer ADC land, which ADC no longer has a mortgage on because they have agreed to the quitclaim. That's a different proposition. We have all kinds of complaints -- not all kinds; we have a few complaints where the third party who buys the land in fact is buying it for resale. I have some in southern Alberta. They were done through the tender procedure, and the other tenderers are upset because the land is being resold at a profit. That's not the intention of the sale of land. The intention of the sale of land is to keep it in agriculture and allow for the farming of it. If there's a problem, then we may change some of our sales practices.

MR. PASHAK: The Member for Lethbridge-West seemed to suggest that it was good business practice to put these properties on the market as soon as possible. I think the minister concurred with that, but partly she also said the reason for doing that, I guess, was to encourage young farmers to get into farming. I wonder if there are not some other alternatives here. It seems to me that by putting properties on the market when farm prices are low, it could further depress market values for property, generally speaking. In addition, there may be other alternatives, such as leasing the land out until land prices rebound or whatever. Would the minister care to comment? I guess the question I'm really asking is if she's considered other

alternatives to placing that property on the market.

MRS. CRIPPS: We have considered the alternatives, and I think as a government we've come to a conscious decision that ADC should not become a land bank. One of the reasons, I believe, is that we've looked at the experience that Saskatchewan has and find that their land banking is not more beneficial either to the farmer or to the agricultural sector than ours. Secondly, ADC was not developed to become a major holder of land; it was developed to allow people to get into agriculture.

As I said, there are two sides to holding the land or selling the land. We are working very carefully to ensure that we don't depress land prices, which is another point you asked about. Land prices, in fact, have gone up in the last year. The land prices are strong. They are steadily climbing. And there's a lot of interest, particularly among people who made a conscious decision, I think -- this is what I'm told, at least -- in the 1979-82 period that they couldn't afford to get into agriculture and have now decided that this is a good time to enter agriculture. With the rising commodity prices, particularly in the grain sector, I think you'll see an increased interest in land and in acquiring it.

In terms of the new beginning farmer program, I want to look at whether it's really necessary for the farmer to own all his land. If I look back at the problem files, I find that the \$200,000 went almost entirely into land purchases, which didn't leave him anything for the cattle, the machinery, and the operating, and therefore he had to borrow more money. So instead of having a \$200,000 debt, he's got \$300,000.

In talking to the beginning farmer, and I've talked to a lot of them who are both in trouble and not in trouble, some of them say they would like to be able to rent for the first few years and build up their equity in other areas -- i.e., the factory: the cattle or the equipment -- so they actually have some equity to start with. So in the new beginning farmer program I wanted to be more flexible so that we can help these people get in more slowly than jumping from the frying pan into the fire.

MR. PASHAK: I'm at the discretion of the Chair, of course, with this next question, because it may be a question that's more properly answered by the Treasurer. I'm concerned about the assets, I suppose you'd call them, of the ADC. I take it they're essentially in two major categories: the loans that are outstanding plus the value of the properties that have been acquired. I'd like to know, I guess, how secure those loans are. I made a quick calculation of the value of the land. By looking at the annual report, it would seem to me that you're valuing the 700-plus quarters at roughly \$21 million, which means the average price of a quarter of land for your purposes in preparing your financial statement is roughly \$30,000 a quarter. What I'm trying to get here is a sense of where the heritage trust fund is at in terms of holding these assets. I think you've said the figure is something like approximately \$950 million of assets that are held by ADC. In terms of those two components I'm talking about, the loans that are outstanding, what's your guess as to how valid those figures about assets really are?

MRS. CRIPPS: I think the figures on the assets are probably valid. Your guess is as good as mine in terms of what the commodity prices are going to do, and that is the major factor in the borrower's ability to pay. I think if we get the free trade agreement and its importance to Alberta -- you'll notice how I got

that in there -- in terms of being able to access the export markets which we believe are in the United States, it will ensure that those loans are in fact valid.

The \$166.672 million we had at the end of March 31, 1988, includes the land we have. As that land is sold, there'll be some realization of those losses, but they're already included in the write-offs we've got and the projected write-offs we have.

MR. PASHAK: Since you've raised the question of the free trade agreement, I wonder if the minister could tell us what current impediments exist with respect to the marketing of agricultural products in the United States which would be changed if this so-called trade agreement . . .

MR. CHAIRMAN: The Chair is going to take some discretion there. Rather than get into a free trade . . .

MRS. CRIPPS: No, Mr. Chairman, let me answer.

MR. CHAIRMAN: Very briefly; one comment.

MR. HERON: A point of order, Mr. Chairman. The underlying security value of these loans is affected very dramatically by the markets our farmers can sell into, and I for one would like to hear a response to that question.

MRS. CRIPPS: I'd like to give you two examples. I've had the opportunity to attend the western agricultural ministers -- not agricultural ministers; they're called Commissioners of Agriculture in the United States. One of the procedures that we've set in place is committees that look at problems that we've got in agriculture between the two countries, and often we're able to resolve those issues before they become a major problem.

I'll use two examples of major problems that we've had in agriculture which I believe the disputes settling mechanism will assist in. One was medicines used in the hog industry, supposedly in the feed, so they prohibited hogs from crossing the line into the United States, which is in fact a countervail ploy. On the east coast New Brunswick potatoes were going into Maine. They stopped those potatoes from going into Maine by saying that the truck tires were not the right measurement and there was too much load on the tires, so they wouldn't let them go into Maine. Those are countervail ploys, and the free trade agreement has a disputes settling mechanism which will allow us to take those kinds of arguments to this board and hopefully settle it long before it becomes a problem.

The other aspect that is very important to us is that the trade practices Bill is now law in the United States, and if we're not exempted from it, we will be subject to it. It will have made a major impact on our ability to export to the United States.

MR. CHAIRMAN: The Member for Stony Plain.

MR. HERON: Thank you, Mr. Chairman. My question has been adequately answered, and if there are no further questions, I move we adjourn.

MR. CHAIRMAN: The Member for Athabasca-Lac La Biche still has his hand up.

MR. PIQUETTE: Just following up on our line of questioning relating to the sale of land where there is an agreement between the farmer in arrears of his mortgage and where he comes to an

agreement with ADC to put up his land for sale to a certain individual. The trouble I find with that practice is: who determines the fair market value of the farmer being able to make that arrangement with ADC? In fact, is there any stipulation that it has to be advertised through real estate and it has to be publicly advertised as land for sale? Or does ADC allow the farmer simply to go over to his best friend, as long as it's not a family member, and arrange a deal and come back and say, "Well, this is what I'm offered by this individual"? What is the policy which is in place relating to this?

MRS. CRIPPS: I've already explained the policy relating to it, but at the outset you made comments with regard to the land that has to go to tender or that is turned over to the real estate. In that case, the land title is held by ADC. When the land title is held by ADC, there is a different method of selling the land than when it's held by the owner of the property. In the second instance you're talking about, the farmer has title to the land and ADC has a mortgage.

MR. PIQUETTE: So, in fact, then it can be a behind-the-scenes agreement without really reflecting market value. It's really an agreement that the farmer who owes this outstanding mortgage to ADC can strike up a deal with a third party and present it to ADC without any public offering of that onto the open market. Is this correct?

MRS. CRIPPS: The first statement that you said -- without regard to market value -- is false. I've said five times now, I think, that the land has to be market value, and ADC has to appraise it as such and be assured that the value they get will be the equivalent of the value they would get if they take title to it and then put it on the market. It has always been a practice where the land could go to a third party. In fact, last year we introduced an assumption of mortgage policy so that a third party could buy the land and obtain the mortgage that was already on it. That wasn't allowed before.

MR. PIQUETTE: How many farmers have taken advantage of this policy which most farmers were not aware of? Do you have any statistics? How many farmers have taken advantage of this, playing the system right?

MRS. CRIPPS: A number of farms have been sold to a third party.

MR. PIQUETTE: Do you have any statistics on those?

MRS. CRIPPS: No, not offhand. But I know that a number of farms have been sold to a third party. Now, what you're . . .

MR. PIQUETTE: And this is at a great loss to ADC.

MRS. CRIPPS: Oh, certainly. There's a loss to ADC on every quitclaim and every foreclosure.

MR. PIQUETTE: This is not a quitclaim.

MRS. CRIPPS: It most certainly is a quitclaim. What are you talking about?

MR. PIQUETTE: This is not a quitclaim. The farmer owns the title, and he's able to find a third party to discharge his

mortgage.

MRS. CRIPPS: No, no, no. You don't know what you're talking about. It is . . .

MR. CHAIRMAN: If I can, Madam Minister. It's appropriate, perhaps, that we're running out of time at this point, as the questions are starting to repeat themselves somewhat.

I would want to thank the minister for appearing before the committee this morning. It's been one of the busier sessions that we've had of this series of Heritage Savings Trust Fund meetings. I might point out that you answered close to 40 questions this morning and showed a great deal of patience and understanding in doing so.

I want to thank the members for a productive morning, and I would now entertain a motion from the Member for Innisfail.

MR. PENGELLY: I so move, Mr. Chairman.

MRS. CRIPPS: Mr. Chairman, before we do that, I would like to thank the committee members for their interest in agriculture, particularly for their interest in agricultural finance. Thank you very much.

MR. CHAIRMAN: Good. A motion to adjourn by the Member for Innisfail.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: We stand adjourned until tomorrow at 2 p.m.

[The committee adjourned at 11:59 a.m.]

