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PUBLIC ACCOUNTS COMMITTEE

March 30, 1977

MR. TAYLOR: The Public Accounts Committee will come to order. The first item on the agenda is the minutes. I want to apologize for the minutes. The girl who was keeping the minutes last week became overwhelmed with the committee, didn't get the motions and the material down, and it had to be done by memory. So at this time, I'd like to ask if there are any corrections to the minutes.

MR. MOORE: Mr. Chairman, on page 2 of the minutes in the middle of the page it says, Mr. Clark asked what happens when a loan goes sour and the minister replied that the procedure varies a great deal but that a receiver is always appointed and a statement of claim is filed.

On checking the statements that were made, that is incorrect in that I indicated that a receiver is not always appointed and a statement of claim is not always filed. There are various procedures involved. I think the verbatim sheets would bear that out.

Also, on page 3, the second paragraph, Mr. Clark also requested information on the quality of the cattle and Mr. Ordze agreed to check and see if there was a written appraisal and if so he would bring it with him to the next meeting. The first part of the statement is true. As far as bringing it to the next meeting, I made the comment, Mr. Chairman, that if it was a written memorandum it would be an internal document and would not be available.

MR. CHAIRMAN: Does the committee agree with the correction?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Any other corrections to the minutes?

Moved by Mr. Notley that the minutes be adopted as corrected.

MR. CHAIRMAN: Mr. Clark, would you have any objections to sitting up over here so we can hear a little bit better? Thank you.

The next point I would like to clear with the members of the committee is the fact that I understand the House will adjourn at 5:30 on April 6, and will reconvene at 2:30 on April 13. In view of that, will the committee be present for Public Accounts Committee on the morning of the 13th? If not, could we have a motion?

Moved by Mr. Purdy that after we rise on April 6, we reconvene on April 20.

The Auditor, Mr. Rogers, would now deal with the one or two accounts that he wants to bring to your attention.

MR. ROGERS: Mr. Chairman, gentlemen, if we could look at page 47 of volume 2, public accounts, there is the Auditor's report without qualification. On page 48 we have the balance sheet of the Alberta Agricultural Development Corporation and I'd just like to point out one or two factors.

The agreements for sale and mortgages receivable -- these are the direct loans -- are totaled \$96,917,000, after an allowance of doubtful accounts of \$2,050,000. On the next line in the assets, we have the guarantee implementations receivable and these are the ones that were deemed to be receivable after December 15, 1975, which was the date of the amendment to the act whereby these guarantees are the direct guarantees of the corporation and the corporation is responsible for their implementation. This is \$2,500,000 after an allowance for doubtful accounts of \$2,040,000. The trust assets -- these represent the implementations that were handled by Treasury prior to December 15. The receivables on these implementations total \$1,400,000 after making an allowance for doubtful accounts of \$98,000. So in effect, together with page 51, note 9, which gives an approximate value of the contingent liability, these are the guarantees of \$110,000, we can sum it up and say that the total direct loans, guarantees receivable, and the guarantees outstanding at March 31, 1976, amounted to some \$215,828,900. Against this we have various reserves and allowances for doubtful debts of some \$6,800,000.

I think most of the other figures speak for themselves, Mr. Chairman, and I think those perhaps are the highlights of the financial statements of the Agricultural Development Corporation.

MR. CHAIRMAN: Thank you, Mr. Rogers. We will now continue the examination of the Alberta Agricultural Development Corporation. We have with us again the

hon. Marvin Moore, Minister of Agriculture, Mr. Lorne Ordze, Chairman of the Board of Directors, and Mr. Vern Lawrence, General Manager of the corporation. This time, I'll ask the hon. Mr. Moore if he wants to make a short opening statement.

MR. MOORE: Mr. Chairman, just one item with regard to the questions that were raised with respect to one member of the board of directors of the Agricultural Development Corporation, Mr. Hugh Bawden. I'd like to advise of some of Mr. Bawden's history before being appointed to the board of directors. Mr. Bawden was born in 1920 in Moose Jaw, Saskatchewan, received his education there and joined the Canadian Imperial Bank in 1939 at Moose Jaw.

He was attached to 11 different urban and rural branches throughout Saskatchewan till his appointment to a Winnipeg branch. In 1953, he was appointed as branch manager at Brandon, Manitoba. In 1957, he moved to Alberta and was appointed manager of the Ponoka, Alberta, branch. Seven years later, 1964, he was appointed manager of the St. Paul branch of the Canadian Imperial Bank of Commerce. In September of 1972 he was moved from St. Paul and appointed manager of the Wetaskiwin branch until his retirement in 1974. Then, of course, after his retirement he was appointed as a member of the board of directors of the Agricultural Development Corporation.

MR. CHAIRMAN: Thank you, Mr. Moore. The first questioner is Mr. Planche.

MR. PLANCHE: Thank you, Mr. Chairman. I'd like to ask the minister -- on page 51 under note 10, it says: "The Corporation entered into an agreement . . . to acquire shares, at a cost of \$650,000, in a company for whom the Corporation had guaranteed a loan." Is it the policy of ADC to be involved in an equity sense? I'd like to ask the minister also, if the answer is no, whether or not they would resell the shares and how they would do that.

MR. MOORE: Mr. Chairman, it is not generally considered the policy of the corporation to be involved in purchasing equity in any agricultural processing plant.

In this particular case we were dealing with Vauxhall Foods Limited, which is a potato processing plant in Vauxhall. Before this purchase of shares was completed, that company had acquired loans which were guaranteed by the Alberta Agricultural Development Corporation. They then got into some financial difficulties as the result of having processed a large amount of potato granules for an expected Japanese sale that left the corporation, together with the Alberta Opportunity Company which was also involved in some loans, with a decision as to whether the company should be closed out and the appropriate losses charged to the Alberta Agricultural Development Corporation and the Alberta Opportunity Company, or whether further loan funds should be directed to the company so that they could continue. An examination of all of the factors indicated that additional loan money would not likely see the company continuing in operation in that their interest payments and debt burden would simply be too high.

It was decided therefore that both the Alberta Opportunity Company and the Agricultural Development Corporation would acquire shares in the company. The basic understanding and agreement that was reached with the company at that time was that no other shares or earnings on shares would be paid to the other shareholders of the company, which are basically potato producers in that area, until the company had repurchased the shares which had been sold to the Agricultural Development Corporation and the Alberta Opportunity Company. I'm not aware that any repurchase has occurred at this point in time, but it would be the intention of the corporation, as soon as the company is in a viable enough position, to ensure that the shares are repurchased from ADC and that it once again become a company without any direct involvement by the Agricultural Development Corporation.

Mr. Chairman, I should ask Mr. Ordze to indicate whether or not any repurchase of shares has occurred.

MR. ORDZE: No, there has not been and it wouldn't be expected in the near future.

MR. PLANCHE: Supplementary, Mr. Minister. Does the Agricultural Development Corporation own equities in any other industries or proprietorships of any kind that have applied for money?

MR. MOORE: Perhaps my officials could put their thinking caps on. The only one of a major nature that I can recall is the Alberta Livestock Co-op facilities in Calgary, commonly known as AgriMart, where the project was put into receivership about a year ago. The interest in that operation was held by the Agricultural Development Corporation and some other bond holders. Our interest amounted to about 40 per cent, and in due course the Agricultural Development Corporation and the other bond holders purchased the assets from the receiver. We have roughly a 40 per cent ownership in Alberta Livestock Co-op AgriMart facilities in Calgary.

It's our intention there to do one of two things, and we don't know what that will be yet -- either resell the property if we get a good enough offer that is

appropriate in terms of our review of what that property is worth, or to lease it to someone on either a long- or short-term basis with the expectation of recovering at least our maintenance and repair and insurance until a sale is effected. It may be that Mr. Ordze would be aware of some other companies that we might have a similar type of interest in.

MR. ORDZE: No, that's all at this time.

MR. PLANCHE: This will be a final supplementary, Mr. Chairman. I'm wondering if, because of the cost of servicing debt for some of these fledgling industries, the ADC would entertain an equity position as a means of financing in future ones rather than being involved with them after the fact.

MR. MOORE: Well that, Mr. Chairman, is a policy decision that has, to some extent, been considered, but at this point in time we feel that the primary function of the Agricultural Development Corporation is to assist primary producers by way of direct lending. As you will note from the act and from the Auditor's report, the maximum permitted under the act in terms of direct funds that the Agricultural Development Corporation can obtain from the Provincial Treasurer for the revolving fund is \$150 million, of which the first \$50 million comes interest-free, and after that we pay to the Provincial Treasurer an established interest rate consistent with the return they expect to receive on dollars.

I would not think, Mr. Chairman, that we would be moving in the direction that the hon. member suggests in the near future, but very definitely the shortage of equity capital for many agricultural processing industries is one of the very real problems, coupled with the lack oftentimes of the ability to develop an effective management team.

MR. THOMPSON: Mr. Chairman, as I understand it, the private lending banks have pretty well gotten out of the farm improvement loan business. I think this specified guaranteed farm loan is, if you want to borrow money you've got to go to ADC. Is this right?

MR. CHAIRMAN: Mr. Moore nodded his head. The machine didn't hear it.

MR. THOMPSON: But it says here there were 36 applications made for machinery this last year. I wouldn't think that would be a very high number. Could you give us some assessment of just where this program is in comparison to the farm improvement loans that we had a few years ago?

MR. MOORE: Mr. Chairman, the member is referring to page 15 of the annual report of the Agricultural Development Corporation for the year ending March 31, 1976. That report, Mr. Chairman, only indicates the direct farm loan approvals -- in other words, the dollars that are lent directly by the Agricultural Development Corporation themselves and doesn't reflect the dollars which are guaranteed by the corporation.

Generally speaking, we try to reserve -- as is indicated in that statement -- a direct lending program for the purchase of land and for some refinancing where bank interest rates and the 10-year credit that's available from the banks leave the individual in a position where his cash flow and repayment ability is insufficient.

You will note that \$7.1 million was provided for land, \$2.4 million for refinancing, and then the other categories scale down in terms of equipment, building, debt consolidation, livestock, operating capital, and so on. There is an extensive amount of guaranteed loans provided for the categories that fall outside land and refinancing. As a matter of fact, in the same year, if you turn to page 18 in the annual report, you'll see that under the AFDL loans, which are the loans obtained from the bank and guaranteed by the Agricultural Development Corporation, we have some 6,331 loans for machinery that total in the fiscal year some \$41 million.

I might make a comment, Mr. Chairman, if I could, with respect to farm improvement loans. As hon. members know, farm improvement loans are loans which are guaranteed by the Government of Canada for the purchase of farm machinery and a variety of other farm input costs. Those loans are made at somewhat less of an interest rate than prime-plus-one which is the case with the Agricultural Development Corporation's guaranteed loan program.

It's been my concern since the establishment of the corporation that we don't, by way of the corporation's guarantee at a higher interest rate, create a situation where the banks in Alberta are not making farm improvement loans. For that purpose I asked my department to provide me with statistics over the years 1972 to 1975 and preliminary statistics for 1976 with regard to farm improvement loans.

I find that the percentage of loans in Alberta, as a total of loans that are made across Canada under the farm improvement loan schedule, go from 1972 to being 30.3 per cent of the total loans made available, 31.1 per cent in 1973, 27 per cent in 1974, and then back up again to 31.3 per cent in 1975. The preliminary figures have been released for 1976 and they indicate that the Province of Alberta received 35.1 per cent of all farm improvement loans.

At the same time, provinces like Saskatchewan and Manitoba that don't have the same kind of guaranteed lending program have gone -- for example, Saskatchewan moved from 35 per cent in 1972 to 38 per cent in 1975, which is about equal to Alberta; Manitoba went from 10.7 per cent to 11 per cent.

So, Mr. Chairman, the conclusion that you reach from looking at these figures is that the provision of guaranteed loans through the Agricultural Development Corporation has not, as some may have thought, reduced the number of farm improvement loans that are provided through the chartered banks in Alberta.

MR. THOMPSON: I appreciate the explanation of the interest rate for farm improvement loans versus Alberta farm development loans, but it does interest me that in these other categories we have prime-plus-one and a 1 per cent service fee and it says a maximum of 1 per cent. How close to the 1 per cent is it? Is it a standard 1 per cent, or is it anything underneath 1 per cent -- these other programs where you have a maximum of prime plus 1 per cent? I mean, in every one of these programs it's stated in there a maximum of 1 per cent. Does that mean that there are some of them that are prime plus 1/2, prime plus 3/4, or is it pretty well standard that there is this 1 per cent service fee and prime plus one is what these loans are put out at?

MR. MOORE: I would ask Mr. Ordze to provide further information, but the maximum established -- and as far as I'm aware the chartered banks always went up to the maximum -- right at the present time that's 8 and 3/4 per cent being the prime lending rate, plus 1, or 9 and 3/4 per cent for the guaranteed lending program under ADC. There may be the odd occasion where a guarantee is written for less than 1 per cent.

I do know as well that we have a new program involving extended financing beyond 10 years where the banks were not able to agree to provide financing at prime-plus-one and it's something above that. Perhaps Mr. Ordze could explain it.

MR. ORDZE: For terms over 10 years, we will allow them to charge 1 and 1/2 per cent over prime. Usually this is to purchase land.

MR. THOMPSON: This still confuses me, because my understanding of the prime interest rate means that that's to the bank's best lenders, like General Motors or somebody like that can borrow at prime rate. But when the government of Alberta, with the assets that it has, will guarantee a loan, I can't see why these loans aren't going out at prime rate. I really can't.

MR. MOORE: We should have the heads of the chartered banks here so they can listen to this discussion, Mr. Chairman. Quite frankly, the prime lending rate of the chartered banks is the lending rate they provide, as the hon. member suggests, to very favourable lenders where there is hardly any possibility of a loss and the loans are made in some very large sums. Perhaps the best explanation of the prime-plus-one is that we're dealing here with a great number of loans and they vary from perhaps \$1,000 on up to the maximum of \$50,000. We're anticipating changing that maximum from \$50,000 to \$75,000. We haven't done so yet. We're in the midst of those discussions.

But if you can understand that the bank has to deal with a great number of clientele and they have to do a lot of paperwork and they also have to effect the collections. This isn't a situation where, if they can't collect when they send out a 30-day notice we simply come in and pay. They have certain obligations to collect. In addition to that, we do not guarantee 100 per cent of the total amount that each lending institution has out under this program. We guarantee 25 per cent of the aggregate amount that's outstanding, and we're in the midst of negotiations with the bank to lower that amount as well. We put all of the pressure that we possibly can on the banks to try to get that amount lowered. We could easily change our guaranteed loan program so that it had to be at the prime lending rate. What would happen is that we would drastically reduce, in our view, the number of loans secured under that program. Instead of a farmer being able to use that program at 9 and 3/4 per cent interest in March, 1977, he would be taking a personal loan from the bank probably at 12 per cent. We do think that this program, in spite of it being 1 per cent above prime has saved a considerable amount of money for Alberta farmers, and I believe the report indicates in some portion the amount of money that's been saved by farmers because this was available as opposed to personal loans at a higher interest rate.

MR. PURDY: Mr. Chairman, a question to the minister regarding the annual report of ADC and the natural disaster farm loans that you have in place. It's interesting to note that there have been two loans made to primary producers and the first question I'd like to ask the minister is, what does the department classify as a natural disaster?

MR. ORDZE: At the time of the writing of this report, we classed a natural disaster as an event that you could not insure against. Since that time we have changed that to some degree and it now reads, an event that would not normally be insured against and, in addition to that, that it jeopardizes the income earning potential of a unit. Some funds can be directed to a farmer who has had

a disaster and he cannot service his debt. We could then give him a small loan or whatever is needed to make the unit viable.

MR. PURDY: A supplementary to the minister, Mr. Chairman. Of the two primary producers that first signed loans under the act, do they also have loans out previously? What I'm asking is, would the loans be refinanced, or would this be just a different type of loan?

MR. ORDZE: These are just a straight loan, and they may have other loans outstanding.

MR. MOORE: Mr. Chairman, we don't have the information with us as to whether these two particular individuals had other loans outstanding with ADC. We could get that but we simply don't have it.

MR. PURDY: Mr. Chairman, the reason I'm asking these questions is, I'm trying to ascertain why some type of disaster would not be insurable and just what types of claims did these two primary producers have to obtain the loans.

MR. ORDZE: I can answer the one because I remember. What happened was, there was a heavy rainfall, a mudslide, and it came down and wiped out a barn. You can't insure against it.

MR. PURDY: Mr. Chairman, has the minister any idea of what it has cost the government in interest in regard to these loans? It says that the government will pick up the interest in the first three years and then twice annually after that.

MR. MOORE: Mr. Chairman, no I don't believe we have the figures with us with respect to the year in question, but it would be a very small amount because we're only looking at two loans. We'll try to get those figures. It may be that we have some supplementary information here.

MR. NOTLEY: Mr. Chairman, to move from the general for a moment to the specifics, I wonder if I could put some questions to Mr. Moore and the officials of the ADC about the Agriplast investment. Just a word or two of background before putting the question, Mr. Chairman. It's my understanding that in deciding whether or not to guarantee the loan for Agriplast that originally there were commercial terms set out which were fairly stringent I believe -- debenture on all the assets of the company, personal guarantee by the particular promoter, assignment of the exclusive licenses held under the existing patents by Dr. and Mrs. Brennan.

Just to move on, I gather that that was the terms set out originally by the ADC board of directors, but the Brennans did not feel that they could meet those terms and there was further negotiation with the then Minister of Agriculture to reduce the stringency of the terms.

My first question to the minister, Mr. Chairman, and Mr. Ordze is, what are the guidelines for the minister re-assessing a position taken by the board of directors in terms of changing or altering the conditions or terms of a loan guarantee?

MR. MOORE: Mr. Chairman, first of all, there are no fixed guidelines as to when the board of directors may be asked by me to re-assess something that they've dealt with. Indeed, it depends to a great extent on, as I indicated I think in the last Public Accounts Committee, the numbers and the kind of people involved.

If we're dealing with a cheese plant where there are 100 producers, that's substantially different in terms of the risks that we're able to consider than if we're dealing with something where there are only a few employees and there is no effect on other parts of the community or other people if the business either doesn't go ahead or fails.

Appreciate as well that since a change in the act about two years ago, any loans in excess of \$500,000 require the approval of cabinet and an order in council. So quite naturally, before those come forward, I have discussions with the chairman of the board of directors relative to the policy of accepting that kind of a loan. Insofar as any directions or concern, it does occur from time to time, most notably when there is some change in the circumstances surrounding a loan application, that I would ask the board of directors of ADC to review a decision or a loan application that had been before them.

It happens frequently as well with loans that are made directly to farmers. In that regard it happens by way of a route of appeal that's been established through our local ADC committees. If a farmer applies for a loan and he's turned down he has a route to appeal to a local committee. The local committee sits in judgment and makes a recommendation to the board of directors of ADC and then they review the matter again.

Insofar as, say, the Wetaskiwin cheese plant, or Faith Farms as we now refer to it, is concerned, both the chairman of the board of directors and myself had some considerable discussion which was relayed by him to the board of directors about the Department of Agriculture and the government's strategy with respect to the entire industrial milk business in Alberta and what would happen to our

quota the next year if a number of producers went out of business and those kinds of things.

There are, of course, many occasions when the board of directors recognizes all those factors, but it's important that I keep in fairly close contact with the board of directors and discuss government policy with them from time to time in terms of agriculture development.

MR. NOTLEY: I don't think anyone would dispute the responsibility of the minister in an area of general public policy. But let's just relate the question back directly to Agriplast. Where there is a feeling on the part of the promoter of an agribusiness that the normal commercial terms set out by the Agricultural Development Corporation are too stringent, what happens in the situation where they then go -- as I gather they did in this case -- to the minister and attempt to negotiate on the side, if you like, parallel to the ADC. My question, I guess, really is, how often has this sort of thing happened where in fact terms set out by the ADC board have been overridden by ministerial decision, not on general public questions of policy where we have a large number of dairy producers involved -- we can all accept that -- but on a specific question of the commercial terms as it relates to a guarantee?

MR. ORDZE: If I can try to deal with this one specifically, if I understand your question correctly, you're saying that we changed the terms of our security to a large degree. Now I don't have the security documents in front of me, but I do know from memory that we do have debenture security, we have the patents secured and I believe that we have this tied up in just about every way possible with the exception of personal guarantees.

MR. NOTLEY: (inaudible) . . . of shares?

MR. ORDZE: I can't comment on that because I don't remember. But we do not have the personal guarantees. At the time it didn't really seem that relevant because the net worth statements didn't show that we would really probably gain that much.

MR. NOTLEY: Mr. Chairman, I think I'd have to direct this question to Mr. Ordze. When this particular guarantee was made and then the controversy arose subsequently, the issue arose as to the qualification of the particular promoter who indicated certain degrees that he held from Harvard and MIT. We were kind of curious about this, so we contacted both institutions who indicated to us that they'd never heard about the particular gentleman. My question really to Mr. Ordze is, when information of this nature is given by an agribusiness developer, what specific steps are taken to check out the information to ensure that it is, in fact, authentic?

MR. ORDZE: The people who work for the corporation check to the best of their ability. In some cases we go to other people in the Department of Agriculture who we feel might be more competent in this area. We did check his qualifications and I can't tell you now who did it. We came up with positive answers and I do know that later on this other thing came up. To this day I don't know which one is right.

MR. NOTLEY: As of the fall of 1975, MIT and Harvard hadn't heard of the gentleman, but I suppose it is possible that large institutions might somehow lose files, although not probable.

The question I'll like to put to both Mr. Moore and Mr. Ordze concerns where things sit on Agriplast today. I gather that -- and now I'm just referring to reports -- the court has temporarily stayed any move on the Agriplast auction. There is a gentleman in the Camrose area who is very much opposed to the enterprise being liquidated at this point in time because he and some of his business associates would like to purchase the plant. The suggestion in this particular report here is that the ADC is not in favour of this alternative but reportedly does not want to make a decision for fear of becoming politically involved. There are political implications. Now I don't want to beat a dead horse again -- I hate to do that. However, I am just curious as to what the problem is now and what the reasons are for this present action in court. Obviously, the one gentleman wants to stave off any liquidations so that he can make a bid. The ADC, for whatever reason, want to liquidate it. Obviously, there has to be some sort of conflict and I'd like to know what the resolution of this is.

MR. MOORE: Mr. Chairman, first of all, I note that the article that the hon. member is referring to did not even have attached to it the name of the author. Quite likely it's because of the latter two sentences that talk about some political problems. Certainly that's a figment of somebody's imagination in the news media.

But I would like to just briefly talk about Agriplast and what's happened in the course of the last two years. New individuals came into the company with the intent of trying to get the company going again based on the same principle on which it was first developed. In other words, to make plastics from high urisic acid from rapeseed oil. That effort has been going on for I guess about

two years in trying to attract some company to purchase the assets, take them over or go into partnership with the shareholders that did exist. Finally, after a variety of fairly competent people and companies had checked out the process and assessed the feasibility of doing what we originally intended to do there, it was considered by both the Agricultural Development Corporation and by the existing shareholders and board of directors of Agriplast that there was no way the plant could be put into operation for its original intended purpose.

So there is not today an argument between the ADC and the other shareholders about whether or not the assets should be sold and used for some other purpose or should the plant continue with its original intended operations. In fact, the argument is as to what kind of disposition should be made of the assets. No party is suggesting that there is a viable way in which the originally intended objective of producing plastics from high ureasic acid rapeseed oil can be achieved.

Mr. Ordze may want to add to this, but it simply comes down to a decision that was taken by the corporation, reviewed by their board of directors, and agreed to, to go the receivership route and to instruct the receiver to sell the assets of Agriplast, as you always do, at the best possible return that could be obtained by the Agriculture Development Corporation. Now the receiver, after considering a number of ways of disposing of the equipment there, decided in his wisdom that an auction sale would be the best and the other shareholders in the plant are quite within their rights in obtaining, if they can, a court order to stop any of the procedures, and I understand that's what has happened.

My understanding, quite frankly, is that the shareholders of the plant wish to subdivide land and sell it in a different way and they were hopeful that their manner of approaching the problem would bring a greater return to the shareholders of the plant aside from the Agricultural Development Corporation. ADC was concerned that, although that may bring a greater return to the shareholders, it wouldn't bring a greater return to the Agricultural Development Corporation, and in their judgment the best route to follow was the one that they did follow.

Now, I can't pass judgment on whether or not that decision was right, but it was made in all good faith as being the most appropriate route for ADC to follow to recover the investment that they had in the plant.

MR. ORDZE: All I would add is that the people who are referred to here right now are quite free to talk to the receiver and make an offer, but at this point in time they have not made any offer.

MR. CLARK: Mr. Chairman, I'd like to ask some questions with regard to the loan to Scardillo Brothers Company Limited, now Faith Farms, at Red Deer. I'm sure Mr. Ordze will recall that as we left last week I rather indicated to Mr. Ordze that I'd be asking some questions on this area today.

First of all, Mr. Ordze, I wonder if you could go back and give us the background of this loan from the standpoint of what kind of money was put in by the promoters initially, what portion was guaranteed by the province, what kind of background experience had they had, and how successful had they been in these areas. That's really where I'd like to start the discussion, if I might, Mr. Chairman.

MR. MOORF: I wonder, Mr. Chairman, on that point whether the hon. member is referring to a number of loans -- first of all, loans to Scardillo Brothers Limited who were the original developers, then loans after it went into receivership to the receiver to continue operation, then further loans to the new partners who took over the plant under the name of Faith Farms. Are you referring to the first original loan or the loan guarantee that was made more recently to Faith Farms?

MR. CLARK: Mr. Chairman, just a word of explanation. Really what I'd like to find out, Mr. Minister, is how did we get involved in this venture to start with. I recognize that that calls for a little bit of explanation, and that's frankly why I indicated to Mr. Ordze last week that I'd be asking the question. If you could, Mr. Ordze, give us from where it started to where it is now.

MR. ORDZE: I have written here a very broad picture of the thing and if I may read this, it may help to some degree. To start with we were dealing with the Scardillo Brothers Company Limited and they had a cheese plant in Two Hills. They then put together plans for a new and larger plant in Wetaskiwin and they approached us for financing. At the same time they were selling the plant in Two Hills to another company or people. Financing was approved for the Wetaskiwin plant in April, 1973, and shortly after that the deal fell through in the Two Hills plant and they couldn't find any other interested parties and it was finally closed out.

While the Scardillos were in Two Hills, the management appeared more than adequate. They were generating good sales. We were in touch with many people whom they were selling product to. The new plant, being much larger, proved to be too much for their management abilities, even with a lot of assistance from ADC personnel and dairy branch personnel. A large amount of imported cheese selling at very low prices put additional pressure on the plant at about the same time that we could see their management wasn't adequate, and we finally

were compelled to place the company in receivership. I'm sorry I didn't put dates down. As I said, I was very broad here.

The decision had to be made as to whether the plant should be shut down or operated by a receiver-manager and then sold as a going concern. Losses would have been very high if the plant was closed and sold piecemeal, and producers would have either had to ship to other plants or, in some cases, possibly cease operations, thereby killing all prospects for future operations of a cheese plant in Wetaskiwin. The corporation elected to have a receiver operate the plant and try to sell it. All efforts to sell the plant proved futile.

A group of individuals operating a cheese plant in Saskatchewan showed some interest. The receiver hired these people to operate the plant, for they showed that they had excellent management abilities for making a first class product, and most important, were able to market the product. After several months, the receiver was still not able to sell the plant and negotiations were started with this group under the name of Faith Farms. The result of this was a financial package that included a sale of all assets and liabilities. Because a large loss had been accrued, there was quite an advantage to the company taxwise. A repayment schedule that the company could handle was drawn up in such a manner that ADC should recover on all loans over an extended period of time.

Subsequently, additional problems have been encountered because of the dairy policies in Canada, but according to the company's projections, which have been very reliable to date, the plant should be reasonably stable by this fall and showing small profits. It is fully expected that the company should then continue to move ahead.

As a point of interest, during the last fiscal year, producers sold \$2.1 million worth of milk to the Wetaskiwin cheese plant.

MR. CHAIRMAN: Mr. Ordze, could we have a copy of that when you are through with it at the end of the meeting?

MR. ORDZE: Yes, but it should be retyped. It's . . .

MR. CLARK: Thank you, Mr. Ordze. One of the concerns that has been brought to my attention is, when the decision was made to go ahead with the loan at Wetaskiwin to Scardillo Brothers initially, what kind of checking did ADC do with the Bashaw cheese plant, Central Alberta Dairy Pool, Northern Alberta Dairy Pool, and Carnation? I raise that question because -- just for a brief word of explanation, Mr. Chairman -- in the course of the last couple of years, on one occasion we had the former operators at Wetaskiwin saying to people that they could pay more for milk than could the other people in the area and they were paying \$6.75 to the producers, which I'm sure the producers didn't object to at all. But this organization in Wetaskiwin was then taking that milk and selling it to the Central Alberta Dairy Pool for \$6.25. Now this was during a period of time when they couldn't operate at Wetaskiwin. So I assume the taxpayer has picked that up in one form or another or the people at Faith Farms who have taken the thing over.

So I go back to the question, Mr. Ordze, what kind of checking was there done with Central Alberta Dairy Pool, Northern Alberta Dairy Pool, Carnation, and the Bashaw people, prior to making the decision to lend the money and get the venture going in the Wetaskiwin area?

MR. ORDZE: You're taxing my memory extensively, because as I said this was April, 1973. I can't answer your question specifically as to the checking that was done with the companies that you've named, but I do know that we did an extensive amount of checking on the share of the cheese market that should be available to this plant and the availability of milk in the Wetaskiwin area and many, many related things. It was on the basis of the information we received that we did go ahead with the loan.

MR. MCORE: Mr. Chairman, if I could supplement that a bit by saying that in 1973 we had cheese production in this province of about 5 million pounds. In 1976 our production was approximately 10 million pounds. The consumption of cheese in Alberta in 1976 was 30 million pounds.

Quite frankly, what we were looking for in 1972-73 and still are, are entrepreneurs, whether they be NADP, Central Alberta Dairy Pool, Palm Dairies, Faith Farms, or anyone else to expand cheese production because we're in the situation today of producing in this province only about one-third of the cheese that's consumed in Alberta. Now I grant you, Mr. Chairman, that cheese consumption has gone up very dramatically over the course of the last few years because of our wine and cheese parties and pizza palaces and so on. That's a fact. Those are two very distinct areas that have increased cheese production.

So at the time the hon. member is referring to, anyone who came along with a reasonable proposal to increase cheese production in this province and thus increase the ability of our producers to go into industrial milk production was looked upon as somebody who did, in fact, want to put their dollars and their expertise behind developing that part of our industry. While there may have been some checking going on with other companies, there were a good number of companies who were very, very slow to move in terms of increasing cheese production, who had the financial capability and the management to do it.

I don't want to get too carried away, but that's not unlike the situation with regard to rapeseed crushing and alfalfa pelletizing and a lot of other things that have happened.

MR. CLARK: You could add the lamb plant, too. Mr. Chairman, in going on to the next question, I think the minister was very accurate when he said "anyone who came along" and he talked about "their" dollars. I don't think they put many dollars in this venture as far as Scardillo Brothers are concerned. That really is the next question. How much money did Scardillo Brothers agree to put in this venture and how much did the government agree to put up either through guarantees or loans or through any other mechanism when the proposition came forward initially?

Mr. Ordze, if you don't have the information now, I'm sure we can stretch this out long enough so you can bring it back on April 20.

MR. LAWRENCE: Mr. Chairman, I should probably take you a little bit back to the first start of this, which was Two Hills. Part of the package was that the Two Hills organization, which was Scardillos Limited, would be bought out by a group of business people in Two Hills. Unfortunately, by the time the Wetaskiwin plant was quite a bit underway, these business people dropped out. The suppliers of milk in that area had already found other places to send their milk, so a lot of this equipment which was part of the total package, along with some equity dollars, didn't get fulfilled in that end of it. As Mr. Ordze pointed out, there are two areas of problems here. One is, Scardillos ran a very good operation in Two Hills. They had markets in Woodward's and some of the major stores. The unfortunate thing was that it was Tony Scardillo and his dad who were running a very small operation, moved to a fairly large operation in Wetaskiwin, and on top of what Mr. Ordze had mentioned, they were supplying to an exclusive pizza market, which is mozzarella, and consequently, when the mozzarella cheese was brought in from the European sources, it pretty well spoiled some of their viability. So these are some of the factors involved with the change of management in Scardillos.

MR. CLARK: Mr. Chairman, I wonder if I could kind of appeal to you to make this my second supplementary, because the question I really asked was, how much did Scardillos put in? How many dollars did Scardillos put into the operation? Now I appreciate they may have had problems at Two Hills and so on, but how many dollars, Mr. Lawrence?

MR. LAWRENCE: At that time when we were doing agribusiness, we had a rule of thumb that they should have at least a 10 per cent equity into an organization. If my memory serves me right, the loan was something in the neighbourhood of just over \$300,000, and I believe the equipment, along with the dollar equity came to at least 25 per cent. Now as I say, the unfortunate thing was when the equipment then had to be sold it did not realize on an auction block near the amount of equity that we would have liked to have seen in that organization.

MR. CLARK: The third question then, Mr. Lawrence, again. I was out late last night, and perhaps you could tell me just how many dollars, not the machinery -- I recognize they had problems -- but how many dollars? Was it \$30,000 or \$12,000? How many dollars did the Scardillo Brothers put into the venture? Could you then also indicate to me, when ADC had made the decision to approve this loan, certainly we didn't just look at the one market -- I think Mr. Ordze said mozzarella. That wouldn't be the only kind of market we aimed at, would it? One shakes yes and one says no.

MR. ORDZE: The majority of their market was mozzarella and some colby. You're asking another question. I'm sorry, but we'll have to look that up because I haven't got the dollars.

MR. BATHURST: Mr. Chairman, we're well aware that sometimes individuals get in default and it's necessary to have their agreements terminated by the corporation. Could the minister advise why the majority of these are. Is it poor farming practice, maybe some tough luck, poor markets and prices, or why would some of them have to be terminated?

MR. MOORE: Mr. Chairman, the member is talking, I presume, about direct loans to farmers? I wouldn't really want to comment on the general nature of failures except to say that they are generally a combination of several things. Quite naturally, for example, in the beef cattle business over the last three years, the poorer managers or the ones who have a smaller amount of equity, coupled with the market prices that have occurred, have put them in a difficult position.

I would guess, Mr. Chairman, that the loans which go into default and eventually have to go into bankruptcy or something of that nature are a combination of having an operation that's geared directly to one area, hogs, beef, grain, or whatever, coupled with inadequate management and very small equity.

MR. BATTUK: Mr. Chairman, I know that occasionally there are supervisors appointed to individual farmers who maybe are having some difficulty. Could the minister advise by whom these supervisors are appointed, whether it's by yourself or the corporation, and whether they have proved to be beneficial?

MR. ORDZE: The supervisors, or counsellors as we call them now, are appointed by a mutual agreement between the applicant and the corporation. Obviously, somebody in the corporation does some evaluation on the counsellor that is being appointed to see if, in fact, he has qualifications. We've found that particularly in our beginning farmer program it has worked out quite well in the majority of cases, whereas on a straight loan to somebody who has already been in farming, in some cases it helps and in some cases it doesn't.

MR. BATTUK: Mr. Chairman, I think that some time earlier I had discussed this with the minister, but there have been requests by a number of farmers to have the guarantee of \$50,000 raised and I think you intimated that it will be done some time. Could the minister advise more or less when that will become a reality?

MR. MOORE: No, I can't advise when that will occur, Mr. Chairman, except to say that the corporation has been in discussions with the chartered banks, treasury branches and credit unions relative to their views on increasing the guaranteed loan from \$50,000 to a \$75,000 maximum. I would hope that it would occur within the next two or three months.

MR. YOUNG: Referring back to page 21 and also to a comment which you had made earlier today, I note that the number of loans of the agribusiness type -- at least the dollar amount -- has declined. The number has too, but the dollar amount has declined very considerably from 1974-75 to 1975-76. My question is, are we in, in 1975-76 and maybe 1976-77, a stage of the corporation's life as far as agribusiness is concerned, where we have met the buildup of opportunities that individuals saw that were there with no source of funding? Have we met the backlog, as it were, and are we anticipating then in the corporation in the future, as seems to have occurred in 1975-76, a more day-to-day type of operation where you get some applications but not have a whole lot sitting there?

MR. MOORE: Mr. Chairman, no I don't believe we are approaching a situation where the contingent liability of the corporation with respect to guaranteed loans to agribusiness will gradually go downhill. I would give an example. The example would be the alfalfa processing industry where we have 13 plants in total, 11 of which are operating. Two are not operating. We made a decision, after some thorough review by the Department of Agriculture, in both the management capabilities, the production of alfalfa, the markets that exist both here in Alberta and western Canada and overseas -- we made a decision about two years ago, in September of 1975, that pending a further review we would not make any additional loans for alfalfa processing plants because we had brought a number onstream rather rapidly. We were having some difficulty in finding adequate management. We were unsure at that time about markets. The situation has changed appreciably in the last couple of years in that a good number of the plants are now operating well. Foreign markets, particularly in Japan, have strengthened substantially. The ability of a plant to procure alfalfa has improved because of the lowering of grain prices over the course of the last year. So it may be that we would continue in one or two areas with a new alfalfa processing development now.

The other factor that must be taken into consideration in terms of dollars is that we are involved, and have been since the end of the fiscal year 1975-76, in some larger loans. One prime example would be one which would be included in the next annual report of a \$6 million guarantee to the rapeseed crushing plant, Narp Co-op and Company Limited, in Sexsmith, Alberta. That \$6 million alone is equal to half the number of dollars which we guaranteed in 1975-76.

In addition to that, Mr. Chairman, for example, in the meat packing industry we expect that our packing plants will be proceeding with a lot of new technology that is available from time to time. Indeed, if we're going to get into other markets, our packaging and processing techniques need to be improved and that requires new capital investment. Because of the difficulties in the livestock industry in the last year, many of our independent packers did simply not have the kind of financial backing and reserves that will enable them to expand and keep up with the times. So it can be that we would be not slowing down in that area, but rather providing additional loans.

I should say, however, that it is not our intention for example in the packing plant business to be encouraging new plants, but rather to be encouraging the upgrading of existing ones, because we feel that the capacity that is presently in the province is more than adequate to serve our needs. But it does need, in many cases, some improvement that could cost some substantial dollars. I would look at the corporation's lending in this field as being on about a par with the last two or three years and would not expect it would decline a significant amount. It may be that the numbers of loans may decline because we're involved in a lot of loans to upgrade the feed industry, for example. We have some 15 loans there. I would not expect that we would have 15 in the next fiscal year

because we basically established a fair amount of capability in that area throughout the province.

In addition to that, we've been involved the last year or two, and will continue to be involved, at least until March 31, 1978, in assisting the development of abattoirs throughout the province to come up to the provincial Meat Inspection Act. That will taper off after the first of 1978, when all plants are required to come into provincial inspection. We perhaps might have one or two a year after that that may come to the corporation for financing. At the present time, we expect some 20 additional plants to come under provincial meat inspection within the next year. While I don't have any figures, I'm sure that some of those will come to the corporation for financial assistance.

MR. YOUNG: Mr. Chairman, the remark that you had made earlier would suggest that in your opinion there had been a financial capability and also management capability for some of the initiatives which were not taken to that point in time and that by virtue of the ADC we have enabled a number of persons who were not in the fortunate situation of some of the operators, to become involved and to initiate some new projects. I take it from what you've said that some of these people, especially in the feed processing industry and to some extent in meat processing too, have had their ideas implemented as much, I guess, as the judgment is that we should initiate new projects, and at this point in time it's a development process, the developing of the ones that are in the field and operating rather than initiating new projects from scratch. Perhaps, and this isn't, I guess, going to be shown here, but has the activity of the corporation stimulated some of those organizations to move which you, I think, have referred to as having management capability and also the financial capability? Has the illustration of what might be done and what has been done stimulated some of these other existing organizations to broaden their range of activities?

MR. MOORE: Well, yes, I think it's true to say that certainly the lending done by the corporation, coupled with the product development section of the Department of Agriculture which is new in the marketing division, has stimulated growth in the agriculture processing industry that is unrelated to the loans that are before you. One example would be the rapeseed crushing industry where a crushing plant was built in Lloydminster without any assistance from the Agricultural Development Corporation. United Oil Seeds Products, which is owned by United Grain Growers, British Columbia Packers and a Japanese firm or two. There are plans for another one in the Edmonton area that would involve Alberta Wheat Pool and some Japanese partners. I'm not aware if that is going ahead or not. But if it did go ahead it wouldn't be requiring Agricultural Development Corporation financing.

There are some other areas, though. It depends what time of year it is. The packing industry is one and the livestock industry, including the feed industry, where five years ago or even four years ago, the chartered banks said, well, if you're in livestock, if you're in cattle, or if you're in processing them or in the feed business or some chain of events in that production cycle or marketing cycle, you're a good risk and they welcomed them with the doors wide open.

It only takes about two years of difficult times and the powers that be, which are mostly in Ottawa with respect to our chartered banks in this province, simply get cold feet and don't make any more loans. It's just as simple as that, and it's one of the real problems that we have in western Canada with the major chartered banks. They don't look very far into the future. I can recall in 1969 to 1971 when the same thing occurred in the grains industry. Grain was piled up and farmers just simply couldn't borrow in many cases from our regular lending institutions. That's where the Agricultural Development Corporation comes into being in situations where we have a down trend and prices and sales and some difficult times -- we're there to look into the future and see if that might be the time of proper management and expertise to move ahead in some particular area.

MR. YOUNG: This is my last supplementary, Mr. Chairman. You have a category on page 21 called truck transport. Only one loan was made -- none in 1975-76, one in 1974-75. Could you indicate whether the reason for that is policy or need or what the background is for that situation and whether we're anticipating that this may be one of the areas where there may be more activity in the future?

MR. ORDZIF: It's probably the only loan like this we've seen. It happens that this truck transport may be a little bit misleading. The man is hauling livestock into Edmonton and taking back fertilizer and retailing it. It probably would have been better worded if it was under a fertilizer outlet or something.

MR. YOUNG: I don't think that covered my whole question. I was trying to determine whether or not transport as such was an area which ADC sees as part of its responsibility.

MR. MOORE: Mr. Chairman, under the terms of the Agricultural Development Corporation act, it's a legitimate loan if it's connected with the agriculture industry and termed agribusiness; certainly in the case of a livestock hauler or a fertilizer dealer, or something of this nature. But really, that's about the

line that we draw in terms of making loans to industry. It's a question of judgment as to whether the Agricultural Development Corporation or the Alberta Opportunity Company alternatively should be involved in this type of loan. I would not expect that you would see very many more of them. There may be the odd one, but certainly we would not be encouraging individuals to come to the ADC for those purposes. It's more likely that we would direct them toward the Alberta Opportunity Company.

MR. SHABEN: Mr. Chairman, Mr. Minister, my question deals with the applications for either direct farm loans or Alberta farm development guaranteed loans. In cases where they are turned down, and in cases where there is an appeal, are these appeals always referred to the local Ag. Development Corporation committees?

MR. MOORE: First of all, we have to separate the two, the direct loans, and the Alberta farm development loans. The procedure with respect to direct loans is that the individual applies at his district agriculturist or his local loans officer seeking a loan. In many cases, the individual comes there without much knowledge about the availability of credit in other fields. We regard our district loans officers not just as loans officers, but as credit counsellors. If I see the figures that 15,000 people have come into our district offices to secure financing and 13,000 have obtained financing elsewhere, then I'm extremely pleased with the kind of job they are doing. Their responsibility is to look at the individual's credit and equity situation and decide or help him decide which is the best route to go. In many cases it's the Farm Credit Corporation. Sometimes it's 10-year money obtained directly from the bank with our guarantee.

But in the event that our loans officer does suggest that he has a situation where he could qualify for a direct loan, an application is filled out and forwarded to the head office in Camrose. Once that application arrives in the head office in Camrose, the staff there have a period of 10 working days or two weeks generally to deal with that application on the basis of either approved or rejected or returned for further information or further details. If that loan is rejected by the corporation, then the individual has the right of appeal to the local agriculture development committee. They usually meet monthly, some of them twice monthly. The individual presents himself, in most cases, before the ADC committee and states his case as to why he thinks a loan should be granted. The ADC committee then makes a recommendation, not a decision, but a recommendation with regard to the loan, which may be to turn it down or to approve it. The recommendation goes directly to the board of directors of the Agricultural Development Corporation, which is comprised of a number of farmers from throughout the province. The board of directors, on normal direct lending to farmers, only sit in judgment generally on appeals. The board of directors makes its decision, either upholding the local committee, or in some cases for other reasons not upholding the local committee. The loan is either granted or not granted.

With respect to Alberta farm development loans, we have a different situation in that the individual applies for those loans at his bank. His bank manager makes a value judgment as to whether or not the loan should be provided, and the corporation automatically guarantees that loan if the bank manager makes a decision in that regard.

On the other hand, if the bank manager says, no, I will not guarantee a loan for you -- you are too risky, your management ability isn't good enough, your equity is too small, or something of this nature -- the individual can go back to his local loans officer and ask for what we call a specific guarantee, in which case the corporation will make a decision in regard to whether or not they want to guarantee the loan funds, and they will so advise, if they make a decision that they want to guarantee the loan funds, the bank in question, that they will guarantee 100 per cent of the loan which is being made to this specific individual. That's the reason they are called specific guaranteed loans. So, Mr. Chairman, that's as short an explanation as I can give of some of the procedures.

MR. SHABEN: Mr. Chairman, are there any records or statistics kept of the rate of success of appeals to decisions of the Ag. Development Corporation?

MR. MOORE: There are records kept. I'm not sure whether we have them with us. I would ask Mr. Ordze to further supplement my answer. The only thing that I can say is that there certainly is a fair number of decisions that are made by the corporation staff which are then referred to the local ADC committee and back to the board of directors that are changed. As a matter of fact, in order to keep abreast of the general trend in that area, I've asked the corporation to forward to me the results of all of their decisions on those appeals, so I have some understanding of whether the local ADC committees are being listened to or not, and some understanding of whether the local ADC committees understand the lending policies of the Agricultural Development Corporation.

Without casting any reflection on the ability of either the corporation or the ADC committees, I can quite truthfully say that there times when the local ADC committees do not have a good grasp of Agricultural Development Corporation lending policies. There are other times when the corporation staff or board of

directors does not have the benefit of the knowledge and local contact that the ADC committee has with the individual in question.

MR. SHABEN: Just a comment and a final question. I believe that the local ADC committees serve a very useful purpose and on many occasions have helped the farmers. My final supplementary, Mr. Chairman, to the minister is, are the local ag. development committees ever asked for recommendations concerning agribusiness?

MR. MOORE: On occasions, Mr. Chairman, they are asked for comments on agribusiness, but as a matter of principle, agribusiness loans are dealt with by the corporation staff. Depending on the size of the loan, they usually involve a senior financial advisor in Camrose, although on occasions a local loans officer may be involved to some extent. But certainly on the type of loans I'm talking about with regard to say the Sexsmith rapeseed crushing plant, the details and all of the work that was done before that loan was made were handled by senior financial officers in the corporation staff in Camrose and the local agricultural development committee does really not get involved to that extent. I make those comments because when we're dealing with those kinds of loans, we do an awful lot of work. It's not unusual to have a two-inch thick pile of paper with regard to one of those loans, and there's a very, very thorough investigation. So ultimately the corporation staff in Camrose has more knowledge about the individual situation than might a local ADC committee. The local ADC committee is not primarily for the purpose of processing agribusiness loans, but rather farm loans.

MR. R. SPEAKER: Mr. Chairman, I had a supplementary on that question. Is that allowed?

MR. CHAIRMAN: We're following through with speakers, Mr. Speaker. I don't know whether we want to start to change the procedure. We're just halfway through the list of people who want to ask questions now.

MR. R. SPEAKER: I just thought if I had the supplementary . . .

MR. CHAIRMAN: Your turn is just about here now.

MR. R. SPEAKER: But I have a different question. I didn't want to change the trend.

MR. STROMBERG: Mr. Chairman, by way of comparison, I'd like to ask the minister what percentage of direct loans to farmers the corporation has made, and to agribusiness have losses been in comparison to farm credit. I believe it was about three or four years ago Farm Credit were making boasts that their losses were only 1.5 per cent. I don't think that that's anything to brag about. If they are doing a job it should be running considerably higher.

MR. CHAIRMAN: Mr. Stromberg, would you speak a little clearer? We can't hear you.

MR. STROMBERG: My question to the minister was, for comparison, on what percentage of direct loans to farmers are losses, and agribusiness, compared to Farm Credit as of last year. The reason I'm asking that is, about four years ago, Farm Credit made the boast that they only had 1.5 per cent bad loans out. I am of the opinion that that's nothing to boast about. If they're doing a job for the farming community and especially starting young people, they're not doing a job with that low of a debt ratio. My second supplementary, and I'll put it now, is what would you think would be a figure for bad loans if the corporation is doing a good job of getting money out there?

MR. MOORE: Mr. Chairman, it depends on what area of lending we're talking about. With regard to the Alberta farm development loans where the banker makes the decision, we automatically guarantee. I would guess that a figure of 1 to 1.5 per cent there would not be unrealistic, and I would think that even with that amount of loss in that area we'd be doing a pretty good job. I think it was less than that perhaps during the course of the last couple of years. Our direct lending situation is quite different. We expect a little greater losses there, but quite frankly, it's a little too early in the life of the corporation to have an accurate assessment of what our losses might be in direct lending. Bear in mind that many loans have been made just over the course of the last three years, and depending on what kind of an enterprise it is -- if it's in the beef cattle business we may have gone in and done some refinancing or provided some operating capital under Alberta farm development loan program -- and we really haven't had an opportunity yet to assess the long-term trend in terms of our loss ratio. I would have to say though, undoubtedly it should be higher than Farm Credit Corporation because we don't make a direct loan as a rule of thumb unless the individual has been turned down by Farm Credit Corporation. So certainly we're dealing in an area that has a much greater risk

than Farm Credit Corporation just as they're dealing in an area that has a generally greater risk than the chartered banks do.

MR. McCRAE: On a point of order, the hour is now past 11:30 and it appears there are a number of other questions to come forward. I wonder if it would be appropriate to adjourn now and perhaps come back next week or whenever it would be convenient.

MR. CHAIRMAN: We're just halfway through the speakers, really. What's the pleasure of the committee.

SOME HON. MEMBER: Adjourn.

MR. CHAIRMAN: That will be on April 6. We have one more meeting before the Easter adjournment. The committee requests the hon. Mr. Moore and ADC to come back April 6.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Did you want to let Mr. Stromberg finish the point he's on?

MR. STROMBERG: Thank you, Mr. Chairman. I believe it was last year that Farm Credit ran out of bucks in their budget in Ottawa and they pretty well put a stop to the lending. How much pressure was there then for the ADC to pick up what normally would have been flowing to Farm Credit for loans?

MR. ORDZE: Actually, Farm Credit Corporation ran out of money during the last year and they were then allotted for the coming year a smaller amount of money. But as it turned out, they really had adequate funds for the applications that did come in, because during that year loan applications were down. We thought for a while that we were going to have a lot of trouble with it, but it ended up that we didn't have a great deal. I believe that anybody that had a legitimate need for money got it.

MR. CHAIRMAN: Before we adjourn, is it agreed that we'll carry on with the list of speakers as I have the list here -- it is Mr. Speaker, Mr. Mandeville, Dr. Webber, Mr. Bradley, Mr. Notley, Mr. Appleby, Mr. Clark, Mr. Donnelly, Mr. Little -- providing these people are present when we come to their turn? Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: The meeting stands adjourned. Thank you Hon. Mr. Moore, Mr. Ordze, and Mr. Lawrence.