

**KEY MESSAGES – AGRICULTURE CANADA CONSULTATIONS ON
REFORMING THE FARM IMPORVEMENT AND MARKETING
COOPERATIVES LOANS ACT PROGRAM**

JULY 2006

General

- Credit unions agree that in order for the FIMCLA program to remain relevant the program must broaden its scope of application.
- Credit unions agree in principle that a revised program could usefully target beginning farmers and intergenerational farm transfers while seeking to expand its relevance for to agricultural cooperatives. Concerning the latter, credit unions are of the view that the government should consider how the program could be used to promote the emerging bio-fuel economy and the participation of producer co-operatives in that sector.
- Credit unions are concerned that in seeking to reform the program the federal government may be working at cross purposes in that it is seeking to expand FIMCLA's ability to recover program costs while at the same time making it more useful and attractive to potential users of the program. If increased cost recovery means increasing costs for the borrower or lender it is likely that that this will decrease the usefulness of the program to producers.

Responses to Consultation Questions

1. Expanding the program to include beginning producers, including intergenerational transfers.

- Credit unions agree that the program should be made available to beginning producers and be designed in a manner that could provide assistance in succession planning.
- We believe that any requirement designed to demonstrate that beginning producers possess “ability/experience” should be carefully considered since such requirements could inadvertently lead to the exclusion of most beginning farmers from the program.
- Consideration should be given to raising the eligible rate of loan amount (currently 80%) since beginning producers will likely have little capital.

2. Expand the program to allow more flexible eligibility rules of co-operatives.

- Credit unions agree that the FIMCLA program could be revised to accept non-farmers as members/investors in agricultural co-operatives and allow non-producers to be eligible applicants.
- That said there should be a requirement in place that requires co-operatives to be majority ***controlled*** by producers. This may be a 50% plus one ownership structure or may take the form of combined equity and voting rights that ensure producers maintain control of the co-operative.

3. Increase the aggregate loan limits for producers and co-operatives.

- Credit unions agree that aggregate loan levels should be increased for individual producers (i.e. up to \$500,000 to \$750,000) and for farm product marketing co-operatives (i.e. to between \$5 and \$7 million).
- If this is to happen the federal government must also increase the aggregate guarantee available also.
- We are concerned that an increase in fees in tandem with an increase in such limits may reduce the attractiveness of the program to producers and lenders.

4. Increase the eligible rate of loan amount (from the current lesser of 80% of the appraised value of the property for which the loan was made or the purchase price of the asset.

- Credit unions agree that the eligible loan amount should be increased to 90%.

5. Implement an on-line initiative to ease the administrative burden under the program.

- Credit unions believe that easing the administrative burden is crucial to ensure that the program is used in future.
- Credit unions agree – in principle – that an on-line initiative could be useful in reducing the administrative burden associated with the program; however, it is necessary to know the specifics of such an initiative in order to determine whether it will in fact reduce the administrative burden associated with the program.