

Grain Prices

150 per cent, machinery 195 per cent, farm labour 140 per cent, pesticides 176 per cent, and diesel fuel 130 per cent. All those were much greater than the consumer price index of 90 per cent on which we based most of our calculations for other things in the consumer economy.

I did some calculations. As we look at the basis for increases in labour contracts, pensions, and family allowances, we realize they are all based upon the consumer price index. That generally ties the dollar value to the 1961 or 1971 level. In our calculations we used 1961 as a base year and indexed that at 100. Then we deflated the actual prices for barley, wheat, hogs and cattle back to the year 1930, and inflated forward to the year 1980. We used the base of 100 for the costs. If we deflate it and go backwards, we find in 1930 a bushel of barley, which was worth 80 cents in 1961, based on 100 would have been worth \$1.42 at that time, even though the actual price was only 59 cents. If we carry that ahead to 1980, we find for the same bushel of barley the Wheat Board is now paying \$1.71 at the farm gate, or \$2.57 at Thunder Bay and that the actual value based on 1961 is only 63 cents. We can make the same calculation with respect to wheat, hogs and beef cattle.

In 1979 the actual price for wheat at Thunder Bay was \$6.09, but based upon a 1961 index of 100 the actual price would be only \$1.48; for hogs the actual price in 1979 was \$64.25, but based upon the 1961 index it would be \$21.45; for beef cattle the actual price was \$78.38, but on that basis it would be \$28.82.

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So what does this show us? It shows us that the only way farmers have been able to exist over the past number of years—because the actual price of grain has not risen to any extent, one year it is up, the next year it is lower than 1960 prices—is through enlarging their farming operations and increasing the volume of production and the use of new technology. So, as we do with everything else such as indexing contracts for labour unions, indexing family allowances and indexing our pensions, we do nothing when we establish the initial price for wheat, barley and rapeseed for farmers so far as indexing that price is concerned, or basing it on the cost of production.

As we look at the statistics, we find that the number of farms each year decreases by 4 per cent, and the large decrease in numbers had been in effect before that period of time, and the average age of farmers is increasing rapidly. The Minister of Agriculture has brought in many programs which he hopes will keep young farmers on the farms or which will entice them to become involved in farming. But it is literally impossible for that to happen as land prices continue to go up, as input costs continue to rise and the level of price that the farmer receives remains the same year after year. So more and more farmers have increasingly large debt loads and their average age is increasing.

Why should we accept a motion such as this under which we base the initial price on the cost of production? First, it would provide a reasonable price for the labour of farmers, because

there would be some reasonable base on which we would establish grain prices. Second, it would mean a stronger agricultural economy. Look at what has happened with the drought situation in Manitoba. That province expects to lose \$500 million this year. So by establishing a reasonable price based on the cost of production, we would have a stronger agricultural economy.

Farmers would then be able to look at the floor price and ask, "Can I produce grain on my land at that price?" If they could do so for wheat, they would produce it, if they could not for barley, they would not produce barley. That is an advantage for the Canadian Wheat Board because the Canadian Wheat Board should have knowledge of which grain they can sell in 1981, for example. Therefore, in establishing a floor price, let us use this crop year as an example.

We have oversold barley in export markets, and there are two reasons for that. The first is that farmers are not delivering because the initial price is too low, and the other is that there was a feeling in western Canada that they should grow more oilseeds because its initial price was substantially higher and the cash in hand was generally more than for growing barley and wheat. If the Wheat Board knew they would have large sales for feed grains in the international market, they could raise the support or the floor price a little higher than they would, say, for oilseeds. That would then be an incentive for farmers to plant a certain percentage more of their lands to that crop rather than another crop.

This method is used by other countries in the world, and the one closest to us is the United States. They have a program that has been in place for many years, and it is under their food and agricultural act. They call it the target price system. On August 15 of the previous year they announced the support or the floor prices for agricultural commodities in the United States. They used to base the target price on a system they called parity, which was the same as many of our stabilization programs where an average for five years is taken to establish the price. But they have changed that now. They base their floor price now on the cost of production, and that is of tremendous advantage to the U.S. farmers. Also as I have suggested the Wheat Board should do here in Canada, they encourage farmers to produce certain crops or discourage them from producing other crops. We could use that as an example here for our Canadian Wheat Board.

What is the target price in the United States for barley and wheat? For barley it is \$2.55 a bushel. Our producers are getting \$1.71 a bushel today, and if we look at the actual cost of production in Canada it is over \$2.55 a bushel. So farmers are really producing at about 90 cents a bushel below the cost of production. Most farmers do not consider the price of their labour and the price of their land, because in many instances they own the land, and often they do not consider the great advantage of advanced technology. So they are hanging on at this price of \$1.71 a bushel. The price for wheat is \$3.63 per bushel, while in Canada we are paying to the farmer, depending on the grade, between \$3.50 and \$4 a bushel.