

the state. Therefore, no matter how sanitary a Canadian farm might be, so long as that state arrangement continues in force we have no chance of exporting our product to New York State. And so far as we know, the federal authorities in the United States do not feel it is within their power to change or overrule that state regulation.

Hon. A. L. BEAUBIEN: When was that regulation put into force?

Mr. KEMP: I have not the exact date, sir, but it was early in the thirties. The Hawley-Smoot tariff became effective July 1, 1930, and then the importation of milk and cream into the United States fell off very substantially. Soon after that the sanitary regulations were tightened.

Hon. Mr. HUGESSEN: Is that regulation enforced against other states as well?

Mr. KEMP: Yes.

Hon. Mr. HUGESSEN: So that all the milk and cream sold in New York has to be produced in New York State?

Mr. KEMP: That is my understanding.

Mr. McKINNON: I think there is a slight qualification of that. The production is inspected in the New York State milk shed, and that is not necessarily the state area.

Hon. Mr. BLAIS: I suppose this applies to Minnesota and Dakota and all other states along the border?

Mr. KEMP: They all have their own regulations, sir. I mentioned New York State because that was a principal market for Canadian milk and cream before the Hawley-Smoot tariff.

Hon. Mr. ROBERTSON: Is there any possibility that the invisible protection which has been extended by the United States in one way and another might affect the arrangements that were supposed to be made under the charter, or has the federal government in the United States got authority to see that the agreements are lived up to?

Mr. DEUTSCH: One of the difficulties is that, as Mr. Kemp has pointed out, these sanitary regulations are imposed by New York State and the federal government makes undertakings with respect only to its own field. In the charter there is a general undertaking that the federal government will use its best offices to try to get the states to live up to the spirit of this agreement, but that is only a matter of persuasion. The federal government would run into difficulty if it interfered in matters which are properly within the authority of the state.

Hon. Mr. McKEEN: You might have a rather poor case if you asked the United States government to interfere in this matter, if the regulations are imposed against every other state in the union.

Mr. DEUTSCH: We could, for instance, say to the United States government that we protest against these milk regulations as we consider them to be really an indirect device for protection, and the United States government would then be obliged to approach New York State and try to persuade them to relax the regulations. But whether or not the federal government could persuade the state government to relax its regulations, remains to be seen.

Hon. Mr. DAVIES: The State of New York is on pretty strong ground, is it not, when it places its regulations on an inspection and sanitary basis?

Mr. DEUTSCH: Yes, senator. I think, however, that sanitary regulations can sometimes be used as an indirect device for protection. In this case, as Mr. Kemp has explained, New York State has imposed certain sanitary regula-