

they derive more benefit from farm price supports than do small producers.

The Federal Government is aware of this aspect of its support policy, the Minister of Agriculture stating that "because of integration and technological developments the present programme is providing an incentive to commercial operators to increase production." There is thus a price support dilemma, which the Government hopes to resolve by altering its method of support.

For the next few months the Agricultural Prices Stabilization Board will continue to support hog prices at \$25 per cwt. basis Toronto. Commencing on October 1, 1959, however, the support price will be lowered to the legal minimum of \$23.65. From that time it is intended that the Board will make deficiency payments instead of the present system of purchasing at the support price. A similar system will be extended to eggs, as soon as a method is worked out. Under the deficiency payments system the product is sold commercially at the market price and if this is below the support price the difference is paid by the Government to the producers. As a result, the consumer tends to benefit from the lower price, and stocks do not accumulate in Government hands. In announcing the change in policy with regard to eggs, the Minister of Agriculture stated that this method "would make it possible to withhold payments from commercial organizations operating under the so-called vertical integration plan, or to restrict payments to a specific volume of eggs delivered by any one producer in a given period".

Livestock markets have witnessed mixed trends. Hog carcasses graded in the first three months of this year were 46 per cent more than a year earlier and the largest number since 1944 when hog production was actively encouraged to satisfy United Kingdom demand. Domestic consumption has increased over a year ago but not enough to absorb the rise in marketings and at the end of March storage stocks of pork exceeded 90 million pounds, two and a half times as much as at the same date in 1958.

From all indications hog production is likely to remain at a high level throughout 1959. Farrowings from December through May are expected to increase 23 per cent over a year earlier. Production in the United States is also expected to rise substantially and by late 1959, when spring pigs are marketed, prices there may fall to levels that would make competition difficult for Canadian exporters. Combined domestic and export demand may therefore be insufficient to raise hog prices in Canada significantly above current, and later reduced, support prices. However, a recent unofficial survey indicated that there may be a reduction in sow-breedings, the motivating factors being the reduced support prices, a less favourable hog-feed ratio, and

some uncertainty caused by the intimation that deficiency payments will apply only to a limited volume of production per farm.

By contrast, net marketings of cattle during the first three months of this year were equivalent to 443,000 head, a decline of 26 per cent from the same period last year, largely reflecting an abatement of the strong United States demand for Canadian beef and feeder cattle that persisted throughout 1958. In fact, total Canadian export of beef and cattle, equivalent to 66,000 head, was 62 per cent below a year ago.

DAIRY PRODUCTS

In the case of the various dairy products, respective support prices influence the pattern of milk utilization as was clearly demonstrated last year. With the support price for creamery butter at 64¢ per pound basis Montreal after April, output during 1958 as a whole reached a record 337 million pounds, 34 million more than in 1957. In the face of a continued decline in domestic consumption, storage stocks at January 1, 1959 reached 94 million pounds, 34 per cent greater than a year earlier.

Support prices for dry skimmed milk, at 12¢ and 15¢ per pound for No. 1 roller processed and No. 1 spray processed, respectively, basis Montreal, appear to have been sufficient to generate a rise in production during 1958 to a level of 186 million pounds, 66 million more than the previous year. It may be noted, however, that the support prices were not fully operative because the Stabilization Board last year placed a quota on the quantities it was prepared to purchase in an effort to stem the rapid acculation of surplus stocks. The output of cheddar cheese in 1958, at 87 million pounds, was 9 per cent less than the 1957 make, reflecting in part the diversion of milk into relatively higher priced dairy products.

In consequence, the support prices for the main dairy products have been altered in order to divert milk from skim milk powder production. That for butter will remain at 64¢ per pound basis Montreal, while those for cheddar cheese have been reduced by 2¢ to 32¢ and 31½¢ per pound in Ontario and Quebec, respectively, effective May 1, 1959 to April 30, 1960. But by paying a subsidy of 25¢ per cwt. of milk used in making cheddar, the Government will provide an effective minimum price of 34.8¢ per pound in Ontario and 34.3¢ in Quebec.

The support price for dry skim milk has also been reduced to 8¢ and 10¢ per pound for No. 1 roller processed and No. 1 spray processed, respectively, basis Montreal, effective only until September 30, 1959, at which time the support will be discontinued. Subsidy payments will, however, be made during this period which will ameliorate the reduction in price.