our feeders are exported to the United States. Our trade pattern or balance with our major trading partner, the United States, has in recent years been near equilibrium, but generally in our favour.

Until recently Canada imposed nominal tariffs on all imports of beef and live cattle. These nominal duties still exist in law, but have in effect been suspended since February 19 of this year for a period of one year. These tariff rates were 1½ cents per pound on live cattle and 3 cents per pound on beef and veal. We are still subject to the various import duties, quotas and variable levies imposed by other countries. The United States is by far our most important market for feeder cattle and various beef products.

While opportunities appear to be developing, Canada does not yet export significant quantities beyond North American shores. However, Greece, Italy and France are emerging as important importers, especially of calves which are air-freighted from Canada. I should point out that these comments refer primarily to commercial cattle and beef and not to purebred or breeding cattle.

Imports of feeder cattle into Canada from the United States are restricted by health tests for anaplasmosis and blue tongue. However, no such restraints apply to either the importation of slaughter cattle or to the export of feeder cattle to the United States.

Canada and the United States share a North American cattle and beef market in which Canada is approximately an 8 per cent partner. It is therefore obvious that general price levels in Canada will be virtually dictated by American price levels. This has always been the case. Cattlemen in Canada have been aware of and operating under this situation for many years. We do not want to change this relationship, but it is important that we understand it.

There has been an historical tendency for the Canadian market to operate above the American market more of the time than below. This means that removal of the import duty is potentially more damaging to the cattle feeder. In effect, the tariff removal on April 19 lowered our Canadian price ceiling by the amount of the tariff. Since we still have to pay a tariff on Canadian cattle going to the United States, the net effect, quite apart from the very direct impact of lower prices, was to destroy the delicate balance of the Canadian and United States beef industries which had been built up over the years. This change in balance was to the detriment of Canadian producers. The reason for the removal of these imports tariffs is very obvious: it is to hold down or reduce the retail price of beef in Canada. I suggest, however, that this action has exercised and will exercise almost no effect on retail prices. I suggest, too, that the tariff experts in the minister's department should have been able to predict this. I am sure the Minister of Agriculture (Mr. Whelan) would have given advice to this effect had he been consulted.

● (2040)

Cattle producers are not so naïve as to complain too seriously about the price drop due to the tariff removal, bearing in mind our very strong market. But we do complain strenuously about some of the further implications of this tariff action. Here is one concrete example which I drew to the attention of the House during the debate of feed grains last night. From January 1, 1973 to date we have exported from western Canada to the United States 80,000 feeder cattle. In the same period last year, approximately 5,000 were exported. This represents a loss of about 7 per cent of our Canadian beef supplies in the form of fat cattle.

I suggest to you, Mr. Speaker, that we exported far more than 80,000 feeder cattle. We also exported a good many jobs. We exported feed lot investment opportunities. We exported the chance to become a net supplier of fat cattle to the U.S. and other global markets.

Why is it that U.S. feeder cattle buyers can outbid our own feeders for these 80,000 head of beef on a North American beef market? There can be no doubt that the reason lies in the competitive advantages which the American cattle producer enjoys vis-à-vis his Canadian counterpart. First of all, the U.S. fat steer market may rise $4 or more above our own, but it never drops any lower than ours, transportation costs being taken into consideration, due to the one-way tariff situation which presently prevails between our two countries.

Starting in 1972, our own basic herd provision was removed from the Income Tax Act. On the other hand, U.S. cattlemen enjoy liberal provisions enabling them to treat breeding herds as capital assets. Late in 1972 and early in the present year, U.S. feeders were at a distinct advantage due to the inequalities in DES regulations as between the two countries. Then again, U.S. cattlemen enjoy a distinct advantage in the area of machinery and equipment costs. Finally, there is the extreme shortage of high protein feeds and the uncertainty of supply coupled with high cost. These, Mr. Speaker, are the most important reasons why we are a net exporter of feeder cattle today.

The suggestion has been made that reciprocal free trade is the solution. It isn't that easy, of course. By and large cattlemen will support the principle of free trade only as long as equality is maintained with respect to all other inputs. This, of course, is not the case, for the reasons I have just outlined. When our cow-calf sector or the feed lot industry are in positions of relative disadvantage, the removal of import tariff or the introduction of reciprocal free trade can adversely affect the growth and even the viability of the industry. It is most important that the federal government should closely examine the competitive position of the Canadian industry before opting for the removal of tariff and reciprocal free trade.

It might be noted that a study of this type has now been completed in the U.S. in the form of the Flanagan report on agricultural trade policy, carried out under the aegis of the United States Department of Agriculture. It would appear that this report will recommend a liberalization of trade through full market orientation in that country. This, of course, will eventually lead to a truer free trade policy on the part of the country to the south, and since we are so clearly linked with them I think a comparable study should be undertaken as a necessary step here in Canada, in co-operation with the feed grain industry, the cattle industry and the federal government.

Motion agreed to, bill read the second time and the House went into committee thereon, Mr. Laniel in the chair.

Clause 1 agreed to.