Grain Prices

grains are that he can put together and what the Wheat Board thinks the price will be for that year. If the Wheat Board determines that the price may be $6, it will probably make an initial payment of approximately $4.50. With this information, the farmer can receive his $4.50, and when the final accounting is completed the Wheat Board can decide that he has a final payment owing to him of approximately $1.25, depending on the final sale.

● (1620)

Would hon. members not agree that it would be of assistance economically for farmers to have at least a rough expectation of return on a certain crop, whether it be oats, barley, wheat or cereal crops such as rapeseed? It is a very simple proposal to have the Standing Committee on Agriculture consider the advisability of making it mandatory for the Wheat Board to remain aware of conditions and give its best estimation of prices at least one month before the middle of April each year in order to give the farmer a chance to choose which crop he might expect to get the best returns on. Let the Wheat Board indicate to him what they think the best returns will be.

The heart of the resolution is found in the expression "setting floor prices related to cost of production". I have already indicated in my remarks that the price is actually set on the best guess of what the final price will be during the year. A certain proportion is taken from that price. The purpose of this motion is to have the government consider basing this amount on the cost of production along with announcing it a month in advance, of planting.

This brings me to the consideration of the long background of this phrase "the cost of production". It was in 1958 that the national agricultural policy was announced in the House by the then Prime Minister, John Diefenbaker. There were five points in that national agricultural policy. The first point was to accelerate marketing. As you know, during that period we developed markets in the Communist countries.

The second point was the stabilization of prices. As the House knows, we enacted several bills to deal with this point but the key one was the Agricultural Stabilization Act. This act concerned all products, not just wheat. Wheat was already covered by the Canadian Wheat Board in the initial payment. This act gave the government the statutory authority in effect to set a floor price based on the cost of production in order to assist farmers. However, the Canadian Wheat Board price was simply the best guess of what the initial payment should be on the farmer's bushel of grain.

The third point of that national policy was the stabilization of income. The Crop Insurance Act is an example of how we implemented that point.

The fourth point was to establish a modern system of farm credit. Out of that evolved the Farm Credit Corporation, which is still in existence today, the legislation for which was amended just a few months ago.

The final point in the policy was conservation, which concerned making the best use of our resources through environmental study and the improvement of soil conditions. The main example of that is ARDA.

This national agricultural program with its five directions has been in place these last 25 years and has been honoured by every government since 1958. We use the same legislation with slight amendments. Since all parties support the basic principles of this national agricultural policy, agriculture has not really been a partisan matter in the House during the last 25 years. We have the responsibility, however, of continually reviewing these programs in order to make them better. Every session, there are always one or two amendments to make improvements to it. For example, there was the Western Grain Stabilization Act which was introduced by the Hon. Otto Lang, the minister at that time. That act is still in effect today. Therefore, these stabilization principles are constantly being modified.

The purpose of relating that policy to the motion before us today is to point out that the key issue we are discussing concerns the way to stabilize prices. The key document in this regard was the Agricultural Stabilization Act of 1950. At that time a great debate ensued as to how to create a formula to protect a farmer's cost of production so that if he took a chance to grow a certain product he would at least get his expenses back. Therefore, we set up the act on the basis of a formula. In order to arrive at that formula we had to consider several factors, the cost of production being the main one. However, it proved almost impossible intellectually to determine what the average cost was. For example, if you took 100 farmers who were producing the same product, each farmer would have a different cost. If you took the middle group of farmers as the mean and set a cost of production, if that cost on which you would guarantee a minimum return was lower than a certain farmer's cost of production, he would take a beating. On the other hand any farmer whose cost of production was lower received a large bonus. Therefore it was impossible on the sheer basis of averaging statistics to arrive at a precise cost of production figure.

The work done by the hon. member for Wetaskiwin (Mr. Schellenberger) and the summary of his work which he presented in his speech at that time is an example of the imaginative and innovative quality of the work he did. He put those figures on the record, and by working the index backwards and forwards he discovered that the concept of the index was not entirely fair either. I will not go into the details which are the concern of the statisticians. It is very difficult to make statistics work accurately for you and it is equally difficult to allow for the changing conditions which we have seen during the last 30 years.

The Agricultural Stabilization Act, as it was originally passed, was based on a formula in the form of a guarantee that if a farmer were go to grow a crop, such as beans, at a previously set price, he knew before the crop was planted that he would get 80 per cent of a three-year moving average price, which was the closest method of establishing the estimated cost of production for beans.