

Canada-U.S. Free Trade Agreement

1984 amounted to \$5.1 billion. We are presently studying farm debt. We know that the total farm debt in Canada is \$22 billion. I know that the amount of quotas has gone up since 1984. I am wondering whether the amount of the quotas is not a significant part of the excess farm debt in Canada.

Supply managed commodities have no way of responding to markets and pressures. In poultry, if a new plant opens up there is no way for producers to direct their production to that new plant. This resulted in the payment of bonuses over and above what was an adequate rate of return for that particular commodity. That method of bonuses has been stopped now. In fact, it was stopped a year and one month ago. However, for a year and a half in the poultry industry extensive bonuses were paid.

With respect to the GATT, the Hon. Member for Algoma (Mr. Foster) brought up the fact that we in Canada agree with the United States that Article 11 should be taken out of the GATT. That is simply not a fact. However, if we are going to go to GATT, if we are going to talk trade as we did with respect to the free trade agreement, then we have to talk about everything. The Americans have said if everything can go right through they will take out their Article 20 which allows them to have supply management. We Canadians do not expect supply management to exist in the States.

In a very far off situation in which all other subsidies were gone, Articles 11 and 20 might in fact be negotiated. But it would be so far off that I believe I can almost guarantee that this is not part of what is going to happen in the future. What did happen under the trade agreement with respect to poultry?

It appears that the base quotas went up from 6.3 per cent to 7.5 per cent. I say that it appears that way because, frankly, that is exactly the average amount of poultry produced over the last five years. The fact that we had a 6.3 base quota before and another 1.5 per cent or 2 per cent in supplementary quotas means that there would be no change in the amount of poultry coming into Canada from the United States. Because of the great economic boom that has occurred in Canada and because of the change in eating habits of Canadians the poultry industry has unprecedented demand. This is in part due to McNugget attacks, I guess I would call them. The broiler industry has increased by some 8 per cent. In truth, the demand for Canadian poultry is increasing in the face of what is apparently an increase in quotas.

Tariff reduction will have an effect. The fact that 7.5 per cent of poultry consumed in Canada after 10 years will be reduced in price about 17 per cent may put pressure on the other 92.5 per cent of poultry produced in Canada. I say "may" because we are not at all sure whether all of that advantage will be passed on to the consumer, and we do not know the effect in that regard.

Another area of concern, in the poultry industry one which I can understand, is with respect to the 2 per cent of poultry products put into further processed products. I refer to products such as Cordon Bleu and chicken pot pies. This area of business is expected to go up to 4 per cent in the next 12

years, by the year 2000. The tariffs will come off in that particular area. At present there are no controls in place to stop the influx of the product from the United States.

To compete in that market, to compete in the world market, manufacturers will have to be able to buy poultry products at a world price. Is that possible? I think it is. People in good authority have told me that efficient producers in Ontario, given the right to produce in their barns full time can in fact produce poultry at the world price and make a profit. I have a feeling that that statement will generate derision among the poultry people, but I am telling you, Mr. Speaker, what I have in fact heard.

The effect on the poultry industry of the 17 per cent reduction in tariffs on 2 per cent to 4 per cent of its production will mean a net decrease in income of some .6 per cent after 10 full years of production, that is if nothing else is changed. We have to remember that the free trade agreement covers many areas, including lower consumer products. Every poultry producer is a consumer. It includes more economic development, more jobs and higher paid jobs. The fact that more people will be able to buy more products will stimulate this economy.

The total negative effect of the free trade agreement on the poultry industry is less than the variation that occurs year to year in the industry. When all is netted out, when everything is balanced out, the poultry industry, the dairy industry—in fact agriculture as a whole—will benefit from this great agreement between Canada and the United States.

• (1950)

Mr. Stan J. Hovdebo (Prince Albert): Mr. Speaker, this year approximately 40 per cent of farmers' incomes have come from various Governments. One out of every 10 farmers is on the verge of bankruptcy, quitting, or foreclosure. It is important to the farm industry to know exactly what good the free trade deal will do for the farming industry. Will it improve the life of farmers? Will it save the 10 per cent who are going broke?

We must recognize that the trade deal will not make any difference to farmers. In fact, in the short term it may exacerbate the situation. In the short term the real impact of the trade deal will be relatively small, but what will be threatened is the viability of federal and provincial farm support and supply management. The previous speaker suggested that supply management was protected. I suggest that it is far from protected. In fact, the deal undermines the basic structure of supply management. Those programs have been an integral part of the maintenance of the family farm and the social fabric of many of the rural and small town communities. This deal encourages the trend toward continental integration in agriculture and food processing through the large agricultural conglomerates.

The trade deal provides for the elimination of agricultural tariffs over 10 years. In their negotiations the Conservatives