carry-over stocks, depressed prices and lowered expected volume. I would like to give some background with particular reference to my Province of Saskatchewan where there are some 66,000 farmers.

The average farm size is about 1,000 acres. The average capital investment is $480 per acre. In 1984 the average net income per farm was $15,000. For the year 1985, according to figures provided by the Saskatchewan Wheat Pool, after deducting operating expenses and depreciation, the average realized net income for each one of those farms was something in the order of $5,500. From that sum of $5,500 the farm family has to find room to make payments on the principal on loans, to meet all of its other expenses, including living expenses, food, clothing, utilities and so on. This sum of $5,500 represents the farmer's labour, as well as his return on a capital investment of some $500,000. Since those comments were put forward last December, the situation has deteriorated considerably.

The initial price of wheat announced for the forthcoming crop year, 1986-87, which commences August 1, is 81 cents per bushel less than last year. It was against that backdrop that the Special Committee on the Pricing of Domestic Wheat and Its Products was finally formed in the month of March, with a mandate to conduct hearings on the domestic wheat price and also on parity pricing.

The committee was heartened, I believe, by the announcement of the Prime Minister (Mr. Mulroney) that the range under which domestic wheat would be priced would be increased from the existing $5 to $7 range per bushel to a range of between a minimum of $6 and a maximum of $11 per bushel. In doing this I believe that the Prime Minister signalled to wheat producers and to committee members that he was prepared to take a serious look at the domestic wheat pricing situation. The seven-member committee heard representations and received presentations from interested groups representing all of the players: the consumers, the processors and the wheat growers. These hearings were conducted in cities across the country and here in Ottawa.

Basically, three alternatives presented themselves to the committee. The first was simply to maintain the current domestic wheat price of $7 per bushel. I believe that that was found to be unacceptable because Canadian wheat producers, while perhaps being the most efficient in the world, cannot fight the combined treasuries of western Europe and the United States which are subsidizing their producers to the hilt.

It is not accpetable to suggest that increased returns to farmers should come entirely out of the federal Treasury. It should come as a surprise to no one that there was a minority, a partial minority, opinion put forward by the Liberal member of the committee. His suggestion was simply that Government make payments directly to the farmers out of the federal Treasury. I am not surprised at that because, after all, deficits are nothing new to members of that Party. Deficit-financing was, and appears to remain, that Party's answer to everything. It seems to think that we should mortgage tomorrow to pay for today's programs. It says: never pay today what you can refinance tomorrow, and continue to roll the debt over and let someone else worry about it down the road.

The idea of making a deficiency or a subsidy payment directly to farmers out of the federal Treasury is an interesting one. It is easy and it is simple. I said earlier that it is rather seductive and dangerous because the federal deficit today, with the combined excesses of the past, comes to some $235 billion. The carrying charges on that deficit are in the area of $25 billion to $28 billion per year. Thus, one out of every four government expenditure dollars goes to service that debt, and one out of every three revenue dollars gathered by Government today pays interest on the debt. In fact, without the interest charges on the national debt the Government is very close to balancing the books, even in the face of historically low wheat and oil prices.

To his credit the member of the New Democratic Party who sat on the committee recognized that the consumer is part of the equation and ought to bear some of the impact of the effect of the world grain subsidy wars on Canadian producers along with the farmers and the Government. He recognizes that the problem with borrowing to finance all that is required to assist agriculture at this time puts the Government and indeed all of us in a classic catch-22 situation. Each time the Government resorts to the Treasury or borrows more money, upward pressure is put on interest rates. Interest rates, of course, are the price of money and reflect the supply and demand. They tend to move upwards when there is demand for it. If the Government borrows more, there is a crowding out effect and the competition for money increases, with the result that interest rates rise.

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I should point out that back in 1984, Canadian farm debt in the aggregate was estimated to be some $21 billion. No doubt that figure has increased since that time. A 1 per cent increase in the interest rate on a debt of $21 billion plus comes to something in the order of $210 million. That sum is roughly equivalent to the amount of benefit to grain producers that an increase in the domestic wheat price of $3 would provide. In other words, a 1 per cent interest rate increase across the board would pretty well cancel out the benefit of an increase in the domestic wheat price from $7 to $10. Clearly it is unacceptable to resort to the Treasury as the entire answer.

The second alternative with which the committee was faced was to increase the domestic wheat price. Increasing the domestic wheat price is, I believe, a vote of confidence in the concept of two-price wheat, a concept which has been in effect in Canada for many years. The basic premise of it is that a price range is set within which domestic wheat can fluctuate up and down depending on conditions and circumstances. When world wheat prices are high, the domestic wheat price would be fixed at or near the bottom of the range so as to protect Canadian consumers against unusually high prices. Conversely, when world wheat prices are low, as it appears