

*Supply*

Supply management has turned out to be a very rational way of matching domestic requirements with domestic production. It is a very rational business response to a basic production need.

It is more efficient in real terms than open market supply systems because resources are never wasted on overproduction. In other words we do not produce a bunch of stuff and look around for a market for it and, when we cannot find it, end up watching it rot, burying it, throwing it away or disposing of it by means of consumers buying it very cheap and throwing most of it into the garbage because they cannot eat it all.

It is still a very competitive system because it encourages efficient production. As proof of that, I point out that in Canada where we have supply management for chickens and milk production, our production per hen and per cow is higher than in the United States where they do not have supply management.

Supply management encourages the perfection of technology and its earlier adoption. I point to our own experience, but I would also point in this regard to the United States and the Europeans in terms of crop production. They have been using forms of supply management to take some of the land out of production to reduce the over-all production of the country. As a result they have developed systems that use fertilizer and chemicals, sometimes with irrigation, and produce average yields that are much higher than was the case before. I contend that would not have happened had there not been supply management to encourage the most efficient use of the best resources to get those yields. It is necessary for the improvement to the over-all agricultural technology to have this sort of system at work.

We are told that the business of GATT should really have been to get rid of all subsidies. Who are the big subsidizers that the GATT has been trying to get at? We hear a lot about the Europeans because we live next door to the Americans who started a trade war with the Europeans, and most of the information we get about this subject is by way of war propaganda. They are in fact

at war and wars also have a lot of propaganda surrounding them.

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When we look at the OECD statistics—and we should remember that the Prime Minister likes to quote the OECD as an outside, unbiased source of all statistics—we see that when we use the application of producer subsidy equivalents for comparing the subsidization levels in each of the countries, Europe in fact does have the second highest level of subsidization in the world after Japan. Japan's average level, using 1986–1988 average figures, was 76 per cent subsidization. For Europe the level was 50 per cent subsidization for its average production, and in Canada it was 46 per cent. We were only 4 percentage points lower than the Europeans. Then we had the United States at 39 per cent.

We did have some countries like Australia that only depends on 12 per cent subsidization for its production. We had others like Argentina that actually pays money in taxes before its farmers can export. It has the opposite of subsidization; its farmers actually subsidize its consumers in Argentina and one or two African countries.

What does the OECD predict would happen with agriculture trade liberalization? For Canada, taking all commodities, our production would go down 16.7 per cent, using those three years as averages. Of course grain growers are going to say: "Aha, that is because the supply management people are going to have to go out of business. Of course production in Canada will go down".

But when we look at what happens to exports under the OECD predictions in a no-subsidy world, we see that exports drop 42.5 per cent. We know that we do not export any of the supply managed products; we only export grains and oilseeds. It is obviously going to hurt our exports of grains and oilseeds if we go to a completely subsidy-free world.

We note that they predict agriculture wages will drop 8 per cent in Canada, 4 per cent in the European Community, and 5 per cent in the U.S.A. Land rental and land values will drop 53 per cent in Canada in a fully subsidy-free world, 40 per cent in Europe, and 41.2 per cent in the United States.