

### Supply

of government are going to compete against each other at the expense of the industry. By eliminating overlaps we could have avoided some cuts.

Quebec would certainly not have slashed research and development, and the experimental farms of La Pocatière and L'Assomption would have survived. In the farm community, as well as many others, we question the relevance of paying taxes to Ottawa when we do not get in return the necessary resources to develop our industry.

Also, we are still not getting our fair share of federal spending in agriculture, since we are only receiving about 12.4 per cent when 17 per cent of agricultural revenues come from Quebec. Meanwhile, the west is taking the lion's share with about 60 per cent of federal spending.

The situation in Quebec worsened since 1980, when our share of spending was 16.4 per cent. Moreover, taxes paid by our farmers help maintain policies which compete with their own production. Yes, many Quebec farmers are questioning the use of remaining in a country which lets them down at the slightest provocation. On the other hand, we know that we will have to counteract the fear generated by federalists.

The fear campaign began when federalist mercenaries published statements concerning the dairy industry in Quebec which, according to them, would be threatened by sovereignty. We are told that a sovereign Quebec would lose half its quota of industrial milk, which would lead to the closing of thousands of dairy farms in Quebec.

According to federalists, sovereignty would be catastrophic for the Quebec dairy farmers who supply the federation with 48 per cent of its industrial milk whereas Quebec only represents 25 p. 100 of the Canadian population.

Let us analyze the facts calmly. It is incorrect to say that a sovereign Quebec will no longer trade with the rest of Canada. The Quebec dairy industry is not a blessing, nor a gift or an advantage of federalism. It is just an economic fact.

Therefore, the worse case scenario should take into account the fact that the value of the trade between Quebec and Canada is more than \$80 billion and that trading is not one way only. If Quebec is to lose its trade with the rest of Canada, is not the reverse also true?

Comparing one scenario to another, members will admit that this one defining an economic area which is advantageous to both parties is more realistic. True, it will not win an Oscar in the horror category or for fiction. But it is also true that people prefer movies with a happy ending. Here is a true script: just last Wednesday, dairy farmers from Quebec and Canada signed a memorandum of agreement on the integration of marketing operations for fluid milk and industrial milk in six eastern provinces. In these six provinces, farmers will be paid the same price for their milk and will share a common quota.

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Together, these provinces represent 85 per cent of the Canadian industrial milk quota. Such integration will eliminate interprovincial barriers to milk supply. Quebec played a substantial role in this issue. Nobody was tempted to ignore it.

Without Quebec, the Canadian milk policy would fall down. The dairy farmers from other provinces know that and understand perfectly. In this pre-referendum period, they acknowledge the importance of economic integration with Quebec. We have put the federalist scare scenario far behind us, have we not? Canadian dairy producers know that the day after Quebec votes yes in the referendum, Canada will maintain an economic union with Quebec, not to please Quebecers but to protect its own interests.

Who would dare think of excluding Quebec from the supply management system, from quotas? Producers from other parts of Canada would have to compete with the highly competitive Quebec dairy producers and the Canadian market would experience a shortage of products from Quebec. The GATT would prevent Canada from slapping on new trade restrictions to prevent dairy products from Quebec from making inroads into its market.

The GATT prohibits the imposition of new restrictions on markets. Maintaining a common economic link would permit us to ward off pressure from the Americans, who have remained opposed to customs tariffs on Canadian dairy products. Federalists are also trying to use NAFTA to scare us.

Even though the United States always tries to get the most out of its trading partners, Quebec will invoke the GATT to protect its customs tariffs, just like the Canadian government does.

If we absolutely must talk about threats to the dairy industry in Quebec, let us talk about the latest federal budget. That is the real threat to the dairy industry. The government is reducing its industrial milk subsidy by 30 per cent over a two year period. Obviously, with 48 per cent of the quota for industrial milk, Quebec will have to absorb a large part of the cuts.

Calculating quickly, that will represent an income loss of \$3,775 for medium sized dairy producers, whose average net income is \$25,000. This will mean a 15 per cent drop in income, in addition to the increased cost of livestock feed stemming from the loss of subsidies for grain transport and feed transport, to which I referred at the outset.

I repeat that no compensation will be offered in this budget to Quebec farmers, who will be the hardest hit.

In closing, please allow me to quote the Quebec Minister of Agriculture, Marcel Landry, after the Martin budget was tabled. He said that Canada's new federalism is a big tax grab, a reduction of services, and national standards. On this subject, he recommends taking control over our taxes as soon as possible and starting to map our own paths for the future—