

Appendix A

VIII. The Committee recommends that the Government create a secondary agricultural mortgage market and expand the mandate of the Farm Credit Corporation to allow it to function as the insurer of agricultural mortgages.

E. Decoupling

A number of witnesses appearing before the Committee expressed concern that, since existing programs are based primarily on production criteria, there have been surpluses in many sectors, with the productive capacity of farmland used to its limit. As a result, some attention has recently been focused on the development of new criteria, so that farm program objectives would be based on variables other than production. This concept, known as "decoupling", originated in the Organisation for Economic Co-operation and Development (OECD). The aim of "decoupling" is to support the farmer, rather than a particular commodity. At a February 1988 symposium on "decoupling", Dr. Peter Finkle of the University of Ottawa and Dr. W. Hartley Furtan of the University of Saskatchewan stated that decoupling is a situation where "... government support provided to farmers is unrelated to specific farm commodities and their levels of production". More specifically, a program is decoupled if government payments do not influence a farmer's production decisions. Since, historically, government payments have generally been linked to production, the transition to a decoupled system would probably not be easy and would require an adjustment in the farmers' approach as well as modifications to existing agricultural programs.

It has been suggested that domestic programs which are not decoupled are harming international trade, largely because they result in overproduction and because of the incidence of countervailing duties. The decoupling of domestic programs is likely to be an issue of increasing concern as the General Agreement on Tariffs and Trade (GATT) negotiations continue.

Decoupling could be an important concept from both a domestic and an international perspective, and the ideas underlying this principle warrant further consideration.

IX. The Committee recommends that the concept of decoupling be thoroughly analyzed and commends Agriculture Canada for having undertaken a study of this concept. The Committee acknowledges that decoupling could radically change the use of programs forming the