

Interim Supply

riding which they furnished voluntarily. Attached is a 10-year summary of the operating data of this company. Their net income after depreciation and taxes from 1956 to 1966 is recorded year after year in a very uniform manner. The management of the company has been good, and it is still good. Their best year was 1959, but for most of the years in the 10-year period they averaged a net after depreciation and taxes of \$37,000 per year, which is not too much when you consider the capitalization and the production of this company.

But this was not so in 1965, when it was more than cut in half and fell to \$18,000. I am told that the record for 1966 will show a net loss. This is alarming. This is a very reliable company, in business since 1930, with a good producer relationship. In 1965 they paid out \$1.25 million for milk in our district and also \$265,000 for wages, salaries and supplies. About 30 per cent of their product is exported and a great deal of it goes to Japan in the form of milk powder. This firm is a valuable factor in our national effort toward a favourable trade balance; and I remind the house that Japan is one country with which our trade balance is in our favour. But this company will pay no dividends this year. As of the end of September of this year, their net loss is \$61,520. This is according to their auditors.

● (5:50 p.m.)

Now, what about this company's farm relationship? In 1964 they paid \$33,999 more for the same milk than they did in 1963. In 1965 they paid \$66,000 more for the same quantity of milk than they did in 1964. In 1966, to date, they have paid \$88,612 more than they paid in 1965 to the producers.

Now, as I stated before, manufactured milk belongs in a different category than fluid milk because of interprovincial trade, and export trade. This company has to export to live. Their market in Japan is lower this year as a result of world competition. They also export to the U.S.A. But their best market is the domestic market. About 39 per cent of their total sales are determined and affected by their export trade to world markets.

Most boards of directors are not necessarily milk men. They are financial men. They look at a financial statement, and they will not go on indefinitely with this loss picture. If this continues, this company will have to cease operations and close. One Company closed two weeks ago in western Ontario. Many of our cheese factories have closed their doors during the past year. The ones that still survive

are subsidizing government. They are subsidizing Canada; this is true especially if they are exporting at a loss. They have had to assume more overhead in pay raises, taxes on building materials and production machinery, plus the added cost of the Canada Pension Plan. These are all federal measures that stand solidly in the way of these small independent dairy industries' efforts to making ends meet.

To further prove my point as to the adversities faced by milk processors, I give the following figures, which reveal conditions and prices in 1950 compared with the present. These figures are absolutely reliable, and were given to me by a cheesemaker in my riding. In February, 1951, No. 1 cheese sold for 41 cents a pound on the Belleville Cheese Board. Cheese factories are now getting only two cents more per pound or, 43 cents. The government has not given consideration to the differences in the costs of processing cheese, which costs have vastly increased in the sixteen year period. In 1950, rennet—an extract used by all cheesemakers to curdle milk—cost \$8.00 a gallon. The price of rennet now in 1966 is \$27.50 a gallon. One factory in my riding buys 600 gallons of rennet per year. In 1950 you could hire factory hands at \$30 to \$45 per week. Now, in 1966, the cheese factories have to pay from \$90 to \$100 a week. In 1950, an eight gallon milk can cost \$8. In 1966, this same can costs \$18.50. In my investigation I even found one case where municipal taxes on a cheese factory had increased from about \$70 in 1950 to almost \$1,600 in 1966. I also learned that within the past month 25 cheese plants have been put up for sale in Ontario. These are almost in a state of distress because of the cost price squeeze to which their management and boards of directors are subjected.

There is another point I wish to make. The government and the Department of Agriculture say they do not want fodder cheese. This is winter-made cheese manufactured from now until spring. Of course, the British market demands and gets from us nothing but grass cheese, made from milk from cows on pasture. But some of our cheese factories do make a good grade of pasteurized cheese during the winter for local markets. Much of this cheese is used right here in Canada. In this way, the factories keep their men employed in the winter and there is no marketing problem connected with this cheese. I think any factory that can make winter cheese should be encouraged to do so and its work should be assisted and encouraged instead of impeded.