

*Announcement of Dairy Policy*

of 85 cents, minus a 10 cent export assistance levy, will be used to bring producers' average net returns up to the \$4 level.

For cream shippers the board's offer to purchase price for butter will be raised to 59 cents a pound. The cream shipper should therefore receive from the market for his butterfat the equivalent of 59 cents per pound for butter. To this will be added a direct federal payment of the equivalent, on a butterfat basis, of 85 cents per hundred pounds, less the 10 cent export assistance levy.

For fluid milk shippers the board will make direct payments of 85 cents per hundred pounds, minus the 10 cent export levy, for deliveries surplus to 120 per cent of deliveries sold for the fluid milk price. The direct payments will be made to milk shippers each month and to cream shippers each quarter.

It is still the intention of the government to introduce at this session legislation for the establishment of a Canadian dairy commission. One of the functions to be proposed for the commission on its establishment is provision of export assistance on dairy products. In order to finance this activity a levy will be made against all milk and cream supported under this program to finance the movement into export markets of dairy products surplus to domestic requirements. Until the commission is established the board will be authorized to operate the export program and deduct the export assistance levy at a rate of 10 cents per hundred pounds of 3.5 per cent milk. In the event that the whole of the export assistance levy is not required, the balance in this fund at the end of the dairy year will be distributed to producers.

Effective April 1 the present subsidy of 10.9 cents per pound on eligible butterfat used for the production of creamery butter will be discontinued. The board at the same time will raise its offer to purchase butter from the present 55 cents per pound to 59 cents per pound. This will be offered on the basis of designated centres across Canada and present price differentials between these centres will be removed. This level of butter price support will be combined with an appropriate offer to purchase and export assistance on primary products such as skim milk powder and cheddar cheese. The government is confident that this combination of support will permit processors to pay a base price of \$3.25 per hundred pounds for 3.5 per cent milk.

However, the federal government has no authority to set the prices that processors pay

to producers. I feel it is important, therefore, to stress that it is incumbent upon producer groups and boards to do all they can to see that this market price level is achieved. In discussions with provincial ministers I have been impressed by the degree of co-operation and interest shown in the federal government's dairy policy proposals, and I am confident that this support will continue.

As was the case during the dairy year now closing, the Agricultural Stabilization Board will continue to be advised on its export assistance program by a joint committee of producers and processors.

As indicated already, an innovation in the new dairy policy will be an extension of federal price support to a portion of surplus fluid milk. The payment to fluid milk producers will be at the same rate of 85 cents per hundred pounds, minus the 10 cent export assistance levy. The payment will apply to milk delivered in excess of 120 per cent of the producer's deliveries for which he receives fluid milk prices. If the supply-demand situation indicates a need, this percentage will be adjusted accordingly in subsequent years.

Let us assume, for example, that a fluid milk shipper delivers during the month a total of 20,000 pounds, but he is paid at fluid milk prices for only 14,000 pounds and at lower prices for the rest; 120 per cent of 14,000 pounds is 16,800 pounds. The amount of this producer's deliveries eligible for the direct federal payment would therefore be 20,000 pounds minus 16,800 pounds. The federal payment would be made for 3,200 pounds.

Because the registration of fluid milk producers under this new policy and the establishment of a reporting system from processors will require some time, it is not anticipated that it will be possible to make the first federal payments to fluid producers as quickly as to manufacturing milk producers.

Authority will also be provided to permit the board to make an appropriate adjustment in the direct payment to producers should the board's selling price of butter be increased above the purchase price of 59 cents per pound during the support year.

Obviously this new policy represents a massive administrative undertaking, and to be successful will require the co-operation of everyone involved whether they be producers or processors, all of whom stand to benefit from effective implementation of this policy.

[Mr. Greene.]