

Oral Questions

the failure of his budget and address this serious problem that is hurting the poor and the low income earners of this country?

Mr. Chrétien: Mr. Speaker, the hon. member is ignoring some very basic facts; firstly, that farm prices are not controlled at the farm gate. However, everything else, the ingredients of transportation, marketing, and so on, is controlled; and this represents more than 50 per cent of the price of the food product. Also, many of the foods consumed in Canada during the winter are imported from the United States and Mexico. Of course, because of the decline of the Canadian dollar we have gained a lot in the export business, but we have to pay higher prices for imported foods.

STEPS TO IMPROVE FARM INCOME

Mr. James A. McGrath (St. John's East): Mr. Speaker, I thank the minister for that tremendous concession, whereby he now admits that his monetary policies are disastrous and are driving up food prices.

I have a question for the gloomy-faced Minister of Agriculture who has a lot to be gloomy about. Can he tell us what he proposes to do about the farm income situation which, if not corrected, will lower production in this country? While he is at it, will he tell us what has become of the so-called conference on food strategy which was heralded with such fanfare last winter?

Hon. E. F. Whelan (Minister of Agriculture): Mr. Speaker, if anything makes me gloomy, it is some of the false statements made by the hon. member and the fact that some people may believe him. The hon. member has stressed food prices, while knowing full well that such things as coffee showed on the index an increase of 280 per cent last year. Total imports in foods show a 58 per cent increase in one year. These are foods that cannot be produced in Canada and come from tropical and semi-tropical areas.

When the hon. member talks about income to farmers, one of the groups that he condemns is an anti-inflation fighter's dream: the Canadian Egg Marketing Agency lowered egg prices 3.4 per cent last year, yet the producer had a decent profit all the time.

Mr. McGrath: Man does not live by eggs alone.

FORECAST RESPECTING FOOD PRICES

Mr. Sinclair Stevens (York-Simcoe): Mr. Speaker, my question is to the Minister of Finance, who has already referred to the weaker dollar. As we know, the weaker dollar is contributing to the high prices in Canada that the minister has already referred to. At page 4 of the Bank of Canada Review for April, we find the admission that increases of nearly 12 per cent, on average, in import prices were experienced in 1977.

Would the minister indicate, bearing in mind the already objectionably high food prices that we have in the country, whether they have taken a survey to determine what is likely

[Mr. McGrath.]

to happen to food prices in May, June and July? May we anticipate still higher food prices, as many merchandising organizations are indicating?

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, I cannot give a precise indication of what will happen, but in our forecast we anticipate there will be an average inflation level of 7 per cent in 1978. As usual, with summer coming it means that more food will be produced in Canada of the kind that will bring down the price of food in the CPI. In the winter, when we rely on imported food, we have to pay higher prices because of the weaker dollar, which has been extremely good for our balance of trade. We have a record balance of trade for the month of March to an extent Canada has never experienced before.

● (1422)

Mr. Stevens: A supplementary question, Mr. Speaker. If we are to attain that 7 per cent price increase level by the end of the year, it will mean we will have to be down to 6.4 per cent in the last quarter of this year, which is very unlikely. In view of the revelation made today with respect to our foreign exchange reserves, namely, that the government has borrowed a total of \$2.1 billion to protect the weaker dollar that the minister has referred to, what does the minister anticipate the interest load on that increased borrowing from foreigners will be, bearing in mind that the interest load set out by the Bank of Canada in the Annual Review this month was \$2.4 billion paid to foreigners? That means \$100 for every Canadian was paid to foreigners in interest alone in 1977. What will be the impact of the new foreign borrowing revealed in today's figures?

Mr. Chrétien: Mr. Speaker, the impact will not be major. If the hon. member understands the system, the money we are borrowing abroad to supplement the inflow of capital into Canada is money that we do not have to borrow internally. When we borrow in Canada, we pay interest, just as we pay interest on foreign borrowing. The net cost is just the margin of the rate of interest we have to pay between the two. If I compare the rate for borrowing on the German market, borrowing there at this time will in fact save us some interest.

Mr. Stevens: A further supplementary question, Mr. Speaker. This is the only Minister of Finance in Canadian history to claim it is better to borrow from foreigners than from the Canadian people. In view of the outflow revealed in the minister's release today of \$700 million as far as our reserves are concerned, which is made up, of course, by this foreign borrowing, would the minister indicate if he anticipates this outflow will continue supporting the weaker dollar and, specifically, would he indicate where the \$200 million went that we lost in International Monetary Fund reserves?

[Translation]

Mr. Chrétien: Mr. Speaker, I am not going to make any speculation as to what might be the level of fluctuations in our reserves during May. We will wait until the end of the month