put into the western grain stabilization account $2 for every $1 contributed by the producers.

● (1440)

Contributions by producers are tax deductible as a farming expense, as far as income purposes are concerned, and they are to be deducted at the country elevator at the time of delivery. The Canadian Wheat Board will automatically make remittances on interim and final payments up to the maximum level of contributions. In other words, if a farmer has not delivered sufficient to make his maximum contribution of $500, then deductions will be made from the final payments which are made by the Canadian Wheat Board to the farmers. Participating producers may, in authorized circumstances, remit levies on sales to feed lots and the seed trade, and also on crop insurance claims.

Contributions to the account by producers can be credited to their estates, a trust or, in the case of a sale of the farm, to a new owner. I will deal with that point more fully a little later on.

As soon as the producer has contributed his maximum of $500, he will receive an endorsement on his permit book so that no further deductions will be made. Included in a producer's book of gross cash receipts are the following: all cash receipts from sales to the Canadian Wheat Board; all cash receipts for sales of wheat, oats, barley, rye, flax and rapeseed to authorized elevators, feed mills and feed lots; all crop insurance payments and other specified payments received by the producer; and all sales of seed grain through commercial outlets.

Final payments, being the difference between the initial payment made by the Canadian Wheat Board and the final realized price that the Canadian Wheat Board receives on the sale of grain, are included as cash receipts for the first full calendar year following the crop year for which payment is made.

I shall deal now with the method by which payments will be made out of the fund. Whenever the eligible net cash flow to prairie producers from grain sales falls below the previous five-year average, payments will be made directly to producers in proportion to their contributions. The net cash flow, for any given year, is the difference between the total gross receipts from the sale of prairie grain for that year and the total cash costs to the producers. The eligible receipts are all those grain receipts under the $25,000 maximum from those participating in the plan. The eligible net cash flow is the net cash flow multiplied by the ratio of eligible gross cash receipts to the total cash receipts.

For example, if, in any calendar year, the total gross sales of these six prairie grain products amounted to $2.5 billion, and the total cash costs of production for that calendar year was set at $1 billion, this would mean that the net cash flow for the calendar year would be $1.5 billion. The eligible net cash flow for that calendar year is estimated at $1.2 billion. If this eligible net cash flow is higher than the average for the previous five years, no payment is made out of the fund. On the other hand, if the eligible net cash flow is less, by one per cent or more, than the previous five-year average, a payout is made to producers from the fund. The total amount paid out of the fund will be the difference between the year's eligible net cash flow and the average eligible net cash flow for the previous five years.

Included in calculating the cash costs of production will be such expenses as property taxes, tools and equipment, fuel, tires, tubes, anti-freeze, licences, insurance, and spare parts; cash outlays for fertilizer, seed, pesticides, herbicides, et cetera; farm building maintenance, hydro and telephone, insurance premiums, custom work and hired labour.

Whenever this net cash flow from grain sales drops below the previous five-year average, the fund will trigger a payment large enough to keep the total flow to the Prairies of net cash from grain sales at the five-year average.

Each producer will share in the payment, in the ratio of his contributions in the current three-year period—that is, the current year plus the previous two—to the total contributions of all other participating producers.

No farmer will be forced to participate in the plan. A farmer who does not wish to participate in the plan may choose to remain out of it in the initial three-year period. Producers will have three years from the time it becomes effective—that is, to January 1, 1979—to elect not to participate in the program, if they so choose.

Should a producer elect to enter the plan at any time after having opted out, he may do so, as a conditional participant for three years—an option that is available only once. In the event of a payout under the program, conditional participants will be subject to a 10 per cent penalty.

Any new producer, who begins farming at some time in the future, will have the same opportunity for a three-year period from the year in which he begins to farm.

Where a producer decides not to participate in the plan in the first of the three optional years available to him, all levies paid by him into the fund will be returned and he will not be eligible to share in any payouts. If a producer opts out in the second or third year of these optional years, all levies paid in the year in which he opted out would be refunded to him, but he would retain an interest in the fund for the other year or years, and would share in any payout to the extent of his contributions still remaining in the plan.

When a farmer decides to retire or wishes to sell his operation, he has two alternative options which he may exercise at his choice in connection with the equity he has built up in the fund.

On the one hand, he may decide to sell his interest in the fund as an asset of his farming enterprise. Fully paid-up participation in the fund will clearly be an item of value, and under the plan this interest will be assignable in law to the new purchaser of the farm. On the other hand, the farmer upon retirement or sale may wish to retain full interest in the fund for himself. If he does so, he will be entitled to share proportionately in any payout which may be made in the last year in which he contributed levies or in the two succeeding years. After this latter time, however, his interest will have expired.

To be eligible to participate in the program, a person must be an actual producer and a Canadian citizen or landed immigrant. In the case of a corporation, the corpo-