sense that the payouts, whenever they occur, will be unfairly applied just because of the difficulty of dealing with every farmer fairly.

More serious, there will be many years when there should be payouts in various regions of that wheat board district because of sharp reductions in net cash flow, but there will not be any payouts because the legislation says that can only be done for the total area under the jurisdiction of the Canadian Wheat Board. The plan is compulsory for all, initially. Grain producers will have until January 1 of 1978 to opt out.

My party supports programs such as this, whether they deal with health care, support for the agricultural industry, or marketing boards. This kind of plan should be universal. The opting out provisions can only weaken the program. The larger the participation in such programs, the greater the benefits can be to the people involved. If there is any significant amount of opting out, I submit it will be because of anger and disgust by those who participated in the plan in the way it is being operated.

The levy of 2 per cent which is imposed on the grain producer is on all eligible sales to a maximum of $25,000 in grain sales. This means that they contribute to a maximum of $500. The levy will be a maximum of $500 per year, and the contribution of the federal government is to be 4 per cent. If the stabilization fund is in a surplus position, and if any interest earned for two successive years exceeds one third of the annual levy, the levy drops to 1½ per cent for the producer and 3½ per cent for the government. I am not sure that that is a good idea. It seems to me that one would want to build the fund up as much as possible, if for no other reason than that in the event of some calamity or disaster in the grain industry, there would be something there to take care of it.

● (1740)

If the surplus position is maintained for four consecutive years the levy drops, and as soon as the fund balance is restored for two consecutive years when interest earned ceases to exceed one third of the annual levy, then the levies return to their normal 2 per cent and 4 per cent levels.

On the other hand if the fund is in a deficit position, if interest paid on loans through the Consolidated Revenue Fund exceeds one third of the annual levies for two consecutive years, the levy increases to 2½ per cent for producers and 4½ per cent for the government. I would think that if the government is going to be putting in double what the producer puts in, the levy should be 2½ per cent for the producers and 5 per cent for the government. If the deficit remains after an additional year, then the support level under the plan should be reduced to 90 per cent of the five year average of net cash flow.

It should be noted, Madam Speaker, that when the fund is in a deficit position the federal government's contribution is reduced, and after three years of deficit the level of support decreases. When the need is greatest the support is the least. The levy is paid in good years and bad, and the various levels set out may be actuarially sound, but they tend to reduce the stabilization effect of the plan. Perhaps there should be a variable rate level based on variations on grain sales proceeds rather than on the financial balance in the fund. I leave that for the minister's consideration.

The issue of the plan being based on net income rather than gross income was thoroughly fought the first time, the legislation came before us in 1971. One of the main arguments we put up at that time was that it should be based on net income and not gross income, and there should be provision for accounting and for increasing costs of production—some form of escalation to provide for increasing costs of production.

I want to say here that the minister has come around some distance, and this is not usual for him when dealing with this parliament or previous parliaments. He came around to the view that the plan would be better if it were based on net income rather than gross income, and that the matter of costs of production has to be brought in. It is almost a 180 degree turn. As I recall the speeches made on the government side in 1971, we were told that it was impossible and could not be done, etc. I wish the minister had come all the way though, because in arriving at net cash flow, when you look at the eligible expenses that are considered as deductions from the gross cash income, there are some legitimate cash expenses that are excluded from the legislation.

The bill includes only cash expenses incurred in the production and sale of grain as eligible expenses. It excludes depreciation on farm machinery, it excludes interest on equity, and it excludes the labour and management of the producer. I am particularly unhappy to see that interest on indebtedness is excluded because that is a cash expenditure that grain producers have every year. In particular, interest on indebtedness for buildings and farm machinery is a large expenditure for grain producers in western Canada.

I think the minister errs in at least not allowing the interest on indebtedness for things like buildings and farm machinery to be included. The price of farm machinery has reached heights that were not imagined five or ten years ago, and most farm machinery purchases are financed at interest rates of 10 per cent or 15 per cent. The farmer has to make cash payments on that machinery every year, and of course the payments include interest on the loans.

I can see that there might be some argument against allowing interest on land indebtedness since land usually appreciates. There may be temporary drops in land values, but I do not see any significant permanent drop in the near future. An argument could be made that interest on payments for land should be excluded, but I think there is no justification for excluding interest payments on buildings and machinery, both of which are depreciating assets.

The minister has excluded depreciation from the bill. Since the facilities I have mentioned on grain farms are not going to appreciate in the way that land will, surely depreciation on buildings and machinery should be allowed as an expense. I appreciate it is not a cash expense. That would be a departure from one of the main features of the bill which reflects cash income and cash expenses, but I hope the minister will look at it again.

I am happy to see that income received under the crop insurance program will be calculated as part of the total