

rates as in 1969-70. These are 26 cents per 100 pounds of milk deliveries and 1 cent per pound of butterfat on cream.

The deduction from subsidy payments on milk deliveries in excess of quota will be \$1.25 per 100 pounds. In the year just ending it has been 52 cents. On cream deliveries in excess of quota the rate will be 8 cents per pound of butterfat.

The net effect of this is that the position of producers whose deliveries do not exceed their subsidy quotas will be identical to that in the year just ending.

For those who exceed their quota, the value of the over-quota milk is reduced by \$1.25 per 100 pounds. If the market price of milk is \$3.60 delivered to the factory, the actual value of the over-quota milk is \$2.35. In terms of value at the farm, the cost of delivery to the factory would have to be deducted from that.

At a farm value of milk around \$2 producers certainly would want to consider the advantage of feeding excess milk to calves or other livestock rather than marketing it. With good veal calves at current levels of about 45 cents per pound, 100 pounds of whole milk will produce about \$4.50 worth of gain. Even after allowing for other costs, returns from surplus milk fed to calves should be considerably more than from the market.

Various representations, including the report tabled by the standing committee, have pointed to the fact that some portion of the surplus products is coming from producers who are not within the subsidy program but who benefit from the price supports on dairy products. This involves mainly milk from fluid milk shippers in excess of that which is sold as fluid milk.

The Canadian Dairy Commission cannot secure a contribution from such producers toward the cost of surplus disposal through the holdback from subsidy payments. Nor can the commission make a direct levy from the market price of such milk, since that is not within federal jurisdiction. The commission could, however, make it a condition of the purchase or subsidization of any product under price support that the factory remit to it some amount to be fixed on all milk used by that factory from producers outside the subsidy program.

The commission will continue on an urgent basis discussions with provincial authorities and marketing agencies to develop a program for contribution toward the cost of surplus

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disposal from producers not now contributing to it. Some important areas have agreed to co-operate to that end.

Hon. members will appreciate that it is not possible at this time to make a precise estimate of the extent to which the measures which are to be taken will restrain excess production and, because of that, of the cost of surplus disposal in 1970-71 and the extent to which the levies will meet that cost. It may be necessary for the commission to revise those levels during the year. The subsidy rates, though, will continue for the full year.

While the main thrust of this program or changes in the program is the containment of production, the government recognizes the need to exploit actively opportunities for market development and increased utilization. To this end the government has just sponsored a technical mission to Europe, the objective of which was to explore and assess the potential of new or different uses for milk and milk products on the Canadian market.

The government proposes to place increased emphasis on the use of dairy products in its foreign aid program. In this connection Canada's increased pledge to the world food program should be noted. Consideration will also be given to assisting reconstituting and allied facilities in developing countries.

In conclusion, the program provides for precisely the same level of support in 1970-71 as in 1969-70 for those who restrain their deliveries to their subsidy quotas and thus co-operate in the essential objective of restraining excess production. At the same time it places a heavier and proportionate charge on milk and cream which contribute to the surplus in order to provide the funds necessary to move the excess product to market.

**Mr. H. W. Danforth (Kent-Essex):** Mr. Speaker, the statement made today by the minister provides the dairy industry with an indication of the government program for the coming dairy year. The fact that the government was disinclined to reduce the government subsidy by the proposed \$10 million will bring some comfort to the dairy industry and would indicate that a tribute is due to the members of this industry who protested so violently against this reduction.

As I listened to the minister and began to assimilate the portent of this announcement it became clear that there is little else in it that will bring any comfort to the dairy industry