

*Prairie Grain Stabilization Act*

introduction. Otherwise the termination of PFAA will create real additional hardship for many individual producers.

These are very modest proposals in relation to the size of the need for improved income protection, which is very great and will continue to be so. The point must be stressed that the stabilization storage/PFAA policy as it now stands in the bill is an unacceptable package. If not improved as we recommend, the initial impact of the act will likely be for a period to in fact reduce the level of income available to the producer, because of the deduction of the levy and the termination of the Temporary Wheat Reserves Act. Moreover, the protection afforded to the level of farm income will be altogether inadequate over time.

We would also stress very strongly the need for price protection to the producer, through the initial payment system. We recognize that the present bill does provide in effect that shortfalls in initial payments are paid two-thirds by the federal government. We think that maintenance of an adequate level of prices is in principle a direct responsibility of the federal government because of the helplessness of the prairie farmer in the face of severe and subsidized international competition. We are however inclined not to quarrel with the cost-sharing feature of the proposal. Our point is that initial payments should be used as an income supporting mechanism.

Finally, an adequate two-price system must be made a part of the total policy package with respect to income protection for western grain growers. It is just not right that we should be the only, or virtually only, wheat producing nation that accepts world price levels as an adequate guide to prices that should fairly be paid in the marketplace by domestic consumers. It is a shocking fact that in the entire post-war period since the Second World War there has been essentially no increase in grain prices and therefore no increase whatever in the amount the farmers receive from flour and cereal products sold to the consumer. This must be corrected by substantial increases in the price received by the farmer for grain used for domestic human consumption. The impact on the consumer would in any case be very small. The great bulk of the cost of cereal products to the consumer is transportation, processing and distribution.

I have done some personal research, Mr. Speaker, as a result of which I should like to make the following remarks. Firstly, this proposal is not an income but a receipt stabilization plan. The proposal will not affect the deteriorating net income situation of individual producers and the western farm industry generally. The decline in prices of wheat and the inflation in the cost of such production inputs as equipment and land will continue to deflate the incomes derived from cash receipts.

Second, this proposal will not supplement the income of the producer who does not have generally sufficient cash receipts to sustain a reasonable standard of living or for any additional cost of adjustment. The proposal will only maintain his past level of receipts whether that level was reasonable or not. By itself the proposal will not be of any positive assistance to the poor farmer in rationalizing his production or in vacating the industry.

Third, this proposal will not protect the individual producer from changing market realities and thus retard "adjustment", but, in fact, will exaggerate market pressure on the producer. It provides an incentive to the producer to employ market forecasts to best match his production to anticipated market realities and conversely penalizes the producer who does not. Payments to individual producers will be made in relation to their average marketings for the three years ending in the year in which their payment is made. If an individual were able to keep his receipts up, despite a general

decline in the industry, his base on which the payment would be made would be higher and his payment correspondingly greater. Conversely, the producer who was negligent about market trends and made a bad guess—and guessing might accurately describe accepting government forecasts—or who was a marginal producer who could not finance an efficient response to market conditions, would receive a correspondingly smaller payment. Again, Mr. Speaker, this is one of the serious inadequacies of the legislation as it presently stands.

Four, the plan is really aimed at stabilizing the cash receipts of the yet undefined viable-sized farm unit. Excess cash receipts will not be stabilized and inadequate cash receipts will not be supplemented. Clearly, the government is interested in protecting an optimum unit of some sort as the cornerstone of the grains industry.

Fine, for normal times it appears the government leans toward the principle that this receipt stabilization plan should be self-financed by producers. Producers' contributions will be paid as a regular deduction from receipts from sales, while government contributions will be made as grants whenever the payments to producers exceed the accumulated producer contributions. Government grants will not be repayable from future producer contributions.

Six, since we have not received a schedule of payments or contributions for an individual producer, it is not possible now to be certain of their incidence. However, the plan appears to be based on neutral insurance principles. There is no principle in the plan that suggests either a progressive or regressive intention regarding the burden of contributions or the effect of benefits to the individual producer. Again, receipt stabilization is its focus, not income maintenance or income supplementation.

Seven, this proposal will not inject "more than \$100 million" into the grain industry for 1970-71. The government will save almost that amount by terminating the storage payments for wheat under the Temporary Wheat Reserves Act. For the 1969-70 crop year that plan cost the federal government \$66.3 million and likely would have cost more for 1970-71. As with the Lift program, the real contribution will be far less than the initial suggestion. On looking closely at the bill, it appears there are one or two technical deficiencies. For that reason I intend to conclude my remarks by moving an amendment. To clarify the objective and reason for the amendment, I should like to make the following remarks. Because of the inconsistencies in the principles of this bill, I propose to move an amendment to the motion before the House.

• (12:20 p.m.)

You will have noted, Mr. Speaker, that this bill proposes an expenditure of public funds and is therefore based upon the recommendation of His Excellency that public funds be appropriated to particular purposes set out in the recommendation. The provisions of the bill must carry out the purposes of the recommendation.

The Governor General's recommendation is printed opposite page 1 of the bill. One of the purposes set out in

[Mr. Southam.]