

Grain

an incentive for sharply increased imports of bread and bakery products and could result in loss of Canada's exports of bread and bakery products. Although one method of dealing with the problem of increasing imports would be order controls, that type of measure would likely lead to retaliation, with the result that Canadian industry would lose existing markets.

Therefore, it is vitally important that the Government avoid policies or programs which would make Canadian industry less competitive in world markets. In view of the expectation that grain and wheat prices are likely to be trending upwards over the longer term and considering the domestic market is a large and important market for Canadian wheat, the decision has to be made between, a) exploiting the domestic market to the maximum extent possible, and b) providing that market with supplies at a reasonable price that will foster the long run growth and stability of the domestic market. I would contend that the domestic market should be supplied in a manner which will promote growth and stability.

In making the comments that I have made I want to emphasize that I am not trying to diminish the concern which we all must have with the low prices currently faced by wheat producers. But I would urge the Hon. Member to seek constructive and positive solutions which take into account the broader international aspects rather than treating the domestic market in isolation from the world wheat market.

• (1650)

Mr. Vic Althouse (Humboldt-Lake Centre): Mr. Speaker, it is interesting that I should follow the Hon. Member for Parkdale-High Park (Mr. Flis) as we share the same background. He grew up just 15 or 20 miles from where I did, but when he was in his teens he left with his family to go and live in the Toronto area. I think that may help explain some of the arguments he has offered today. It is too bad that he does not seem to pay heed to the economic history that created the circumstances that forced us to live so far apart after having started out in the same area.

He seems to have ignored the theory behind the two-price system for wheat, or for any agricultural product. It was the lack of that kind of two-price system that forced many families, like his, to leave Saskatchewan in the early 1950s. During the thirties a lot of people shifted within the prairies, but in the early 50s, the price decline forced a great many farm people to move away from the region.

About 1949 or 1950, when I was a young boy, I went to my first farm organization meeting with my father, who was active in local organizations. At that time a two-price system for wheat was discussed. The theory was very simple and had been tried in a number of countries. But in this country it was applied for seven years. It has a great deal to offer to agriculture.

The theory is that in agriculture, stability is what keeps farmers on the land, keeps them producing, keeps the farm for the next generation, provides the income necessary to keep the local rural communities alive and provides a foundation for the economy of the country. No country survives long without a strong agricultural industry. It produces the most basic

requirements for human existence. It is even more important than sex, housing or warmth. Food is the basic requirement.

Farmers attempt to make the top four to six inches of soil produce food. The most basic components of our culture and our society depend on four to six inches of soil and the fact that we sometimes get rain.

People in the industrialized economies who attempt to make that four or six inches of soil produce when it does rain, are working against the violent fluctuations in price and markets, the violent fluctuations in weather, and the plagues of grasshoppers, locusts, fungi and other pests that attack plants.

In many countries, farmers have been seeking to implement a firm, two-price protection for their products, and in some places they have succeeded. The theory is straight-forward. For products consumed within the domestic market area, a price level will be guaranteed which will cover the cost of production at a level consistent with the labour incomes of other sectors of the domestic economy, and the world price will obtain for the balance or surplus of production.

On the average grain farm in western Canada, production costs for bread wheat run between \$6.50 and \$7 per bushel. There is some variation according to the size of the farm, and the cost of production varies according to the input cost.

A great many city people are under the impression that all you need in order to grow wheat is a combination of soil, rain and sunshine. In order to produce grain these days there must be an outlay of money for fertilizer and fuel. These costs have more than doubled in the last seven or eight years, and the cost of farm chemicals follows the same pattern.

The two-price system that is needed to provide some semblance of stability in agriculture in this country, would set a floor price which follows the cost of production. The Hon. Member who just spoke outlined the short-lived two-price system brought in by the Hon. Otto Lang when he was in charge of transport, the Wheat Board and everything else in western Canada. There was a floor price and a ceiling price. In 1973-74, that had the effect of providing a consumer subsidy simply because the world price of wheat exceeded the ceiling. Farmers were providing wheat to the domestic market at a price lower than they could have received on the international market. That was a short-term rather than a long-term program.

The proposal before us today does not contain a ceiling price. I suppose that is because of our most recent experience with ceilings. The Lang two-price system had the effect of actually reducing the income of farmers for a good deal of the time it was in effect.

I should like to deal with an alternate proposal later, Mr. Speaker. The idea behind a floor and a ceiling price is to provide protection to producers during the years when the export price is low. It means that some part of the market will provide a return consistent with what other workers take home. It is protection for only a small part of the producer's return, however, that part sold within this country. That is fair.