

*Support Price for Manufacturing Milk*

government of course cannot fix prices to be paid for milk and cream within a province, but the support price for milk is based on the calculated market value of milk in relation to product support prices under normally efficient operations.

The Canadian Dairy Commission is announcing today that its support price on skim milk powder will remain at 20 cents per pound and that on butter will continue at the 65 cent level set last September. This butter price is two cents higher than that in effect on April 1, 1968, with a corresponding increase in the market value of milk and cream as compared to a year ago. To supplement the market value, and provide the \$4.85 support level, the rate of direct subsidy for manufacturing milk and cream will be \$1.25 per hundred pounds of milk, with an equivalent rate for cream.

The dairy stabilization program is based on the principle of providing an equitable return to efficient producers for the amount of manufacturing milk and cream required for dairy products for the Canadian market. This is the basis of the dairy products for the Canadian market. This is the basis of the Dairy Commission's subsidy quota system. There is, however, concern over the present volume of surplus products and indications of a further increase.

There is a serious surplus of skim milk powder. Butter production since last October has been 10 per cent above a year ago. In 1968 the Commission had to purchase eight million pounds of surplus cheddar cheese to support the market price on that product and British authorities are considering restraints on cheese imports into that country. These surpluses are occurring at a time when international prices for dairy products are seriously depressed as a result of world over-production.

Representations have been made to the government by producer organizations for an increase in the milk support price for the coming year. I feel sure they will appreciate, however, that in light of the market situation any further increase in product prices at this time would not be warranted. However, the government will undertake to provide sufficient funds to ensure that any changes in producers' net incomes are not the result of a lower support level, but rather are because of increases in the cost of moving surplus dairy products into export.

[Mr. Olson.]

The cost of disposing of surpluses must be financed by the Canadian Dairy Commission out of the funds provided to it for subsidies. This is in accord with the policy, previously enunciated by the government and which is well understood by producers, and their representatives, that the cost of such disposal must be a charge against the industry.

● (4:30 p.m.)

For this purpose the commission makes a holdback against subsidy payments. The present rate of holdback on milk is 21 cents per hundred pounds. Effective with deliveries on and after April 1 the commission will require an average holdback from milk subsidies of 29 cents.

The holdback on cream will continue for the present at the existing level of one cent per pound of butterfat. However, should the present trend of increasing supplies of butterfat continue, an adjustment in the holdback on both cream and milk may be necessary. On the other hand, if the supply or the international market price situation for dairy products were to improve significantly, it could be possible that the Dairy Commission would be in a position to refund a portion of the holdback to producers.

Since the cost of disposal of excess production is a charge against producers which reduces their net returns, it is important to the position of the industry that every available means be used to ensure against unmanageable surpluses. We have already had some discussions with organizations on this subject and I have instructed the commission to pursue it actively with the organizations.

**Mr. H. A. Moore (Wetaskiwin):** The main feature of the announcement just made—in fact, I would say, almost its only feature—is the indication that the amount of subsidy paid to shippers of manufacturing milk is not to be changed. We gather, too, that producers face increased costs in connection with the export program. This leaves dairy farmers in the same position as they were in last year, but saddled with increased operating costs. In fact, their position is worse, because the extra holdback will result in less take-home pay. I should also like to point out that this being the last day of the dairy year the minister's announcement comes rather late to allow for any adjustment in the operations of those concerned.