to investment for efficient producers and rapidly rising asset values, especially land or quotas. This, in turn, makes it difficult for new farmers to enter the industry. If only low cost and high productivity farmers are included in the calculations, the support prices may be considered to be too low by many producers and pressure will build to adjust the calculations to give higher price supports.

Another problem with cost of production pricing is the production response which will arise if prices are set higher than market clearing levels. This problem is usually addressed with some form of quota or supply-management system. One cannot introduce a cost of production pricing system without having a clear plan for either limiting supply to available markets or disposing of excess product outside of such markets.

Let us consider the impact on trade. Artificial price supports can have serious trade implications if internal price supports are higher than corresponding import prices.

If a country produces less of a commodity than it consumes, high internal prices can be maintained above import prices by imposing tariffs or by restricting imports. Such import restrictions are permitted under General Agreement on Tariffs and Trade rules as long as effective production controls exist. For example, import restrictions on dairy and poultry products are permitted in Canada because effective supply-management systems exist.

If a country produces more of a commodity than it consumes, high internal price supports are difficult and costly to maintain. The European Economic Community provides an illustration of the problem. High internal price supports have resulted in surplus production which has to be disposed of through export subsidies which are very costly to EEC taxpayers. The use of export subsidies by the EEC was permitted under the original GATT.

If Canadian farm products are to be exported they must be priced competitively in international markets. If, for example, beef and pork commissions, as proposed in Bill C-221, were established and internal prices were established at levels higher than import prices, import controls would be needed to prevent beef and pork from moving into Canada. At the same time, exports would likely cease because of uncompetitive prices. If Canada attempted to continue exporting by using subsidies or operating two-price systems, accusations of dumping would arise from our trading partners and countervail actions under GATT rules would ensue.

In summary, while the concept of parity pricing has surface appeal, it is not consistent with the development of a strong export market. For export oriented sectors it is likely that programs such as the Western Grain Stabilization Program and the Tripartite Stabilization Programs for beef, pork and lamb provide a better alternative to parity pricing. These programs provide protection against periodic weaknesses in markets but ensure that longer run returns reflect market experience.

In closing, let me say that the concerns of the agriculture community are shared by all of us in the House. However, I believe that at this time Bill C-221 does not really address the concerns of all the agricultural community. I believe the manner in which the Hon. Minister of Agriculture has been addressing these concerns has been appreciated.

Mr. Vic Althouse (Humboldt—Lake Centre): Mr. Speaker, Bill C-221 is an Act to introduce a concept described as parity pricing as well as to set up marketing commissions for beef and hogs. Conservative Members, at least, have been quite clear in saying we need something different from the present system and that we must use some imagination in arriving at a pricing system to solve what they vaguely describe as the farm problem. They have decided that because the words "parity pricing" became attached to this particular set of proposals they cannot work and quote some of the experiences of the United States as being proof of that. However, when one looks at the experience of the United States, there is very little question that parity pricing worked in that it achieved the ends it was designed to achieve, that is, full employment in agriculture and a return on the product which will pay most of the cost of producing the product on the land. It also had the effect of achieving very efficient and viable farm communities and built a very strong rural base in the United States during the period of time it experimented with the parity pricing system.

• (1750)

Had Hon. Members opposite looked a little at the European agricultural situation, they would have seen that something similar to the U.S. experience pertains there as well. The Europeans, who, for various reasons, some of which include having had a large band of the electorate facing starvation during the Second World War, decided, post-World War II, to establish a system of agricultural pricing which would make certain that consumers in Europe would not again be forced to rely on imports from far away across an ocean or from across the Russian frontier. They wanted to become self-sufficient. They set out that goal and achieved it. They achieved it at a relatively low cost compared to the system of subsidies which is now in place in the United States. The Americans have committed themselves to a further four years of subsidization at the rate of some $35 billion to $36 billion per annum. That is a tremendous amount of government funds going into American agriculture, and I submit it is costing American taxpayers far more than the European plan is costing European taxpayers, and that the American plan will probably place the American taxpayers in bankruptcy much faster than the European plan will do to the European taxpayers. I say this because basically the difference between the two is that in Europe the consumers are being asked to pay a little more money for their food and that extra money goes directly back to the farmers. That is essentially what my friend, the Hon. Member for Yorkton—Melville (Mr. Nystrom), was attempting to do with his Bill. He was attempting to pay Canadian farmers approximately their full production costs for that portion of their production which is sold within the country.