

*Grain*

During the 1980s, the world agriculture situation is expected to see growing commodity demand. Grain will be among those commodities in demand as world population and incomes rise and as new uses for grains such as feedstock for energy and sweetener production are exploited. As incomes rise, the tendency is for people to consume more meat, poultry, and dairy by-products which, in turn, pushes up demand for grain. This demand pressure was experienced in the three years from 1979 through early 1981 when, even though world production was at record levels, world consumption exceeded production and stocks declined as a result. In 1981 and 1982 major grain producers were able to respond to the higher levels of world demand by expanding production. This was particularly true in North America.

United States wheat production in 1981 was 76.0 million tonnes compared to 64.6 million tonnes in 1980. This same high level of wheat production was maintained in 1982 when production was 76.5 million tonnes. In 1981 Australian wheat production was 16.4 million tonnes compared to 10.9 million tonnes in 1980; but as we all know, 1982 brought drought to Australia and wheat production was only about 8.6 million tonnes. In Argentina, on the other hand, 1981 production of 8.0 million tonnes was similar to the previous year, but in 1982 wheat production increased to 11.5 million tonnes. While increased production can be achieved, and will undoubtedly occur to meet longer-term demand, it is unlikely that world production and consumption will grow at the same rate in total or at the same rate in the various countries or regions of the world.

The result of different rates of increase in world demand and consumption will be temporary world grain surpluses such as exist at the present time. Over the longer term there should be increased opportunities for trade. This is of particular interest to Canada as a major exporter as evidenced by the Government's commitment to expanding transportation capacity to meet future export possibilities. It is necessary to continue to have a positive and constructive approach to the future of world grain trade even in a period such as the present when temporary surpluses are leading some exporters to become aggressive in competing for markets.

In a 1980 study produced in the U.S.A. of future demand for grain, entitled "Global 2000 Report to the President", the forces that will push up demand for grain during the remaining years of this century were described as follows: a) there will be a 50 per cent increase in world population from about four billion people to 6.35 billion by year 2000; b) the use of arable land will increase by only 4 per cent, so that increased production will be mainly a factor of higher yields which will be dependent on greater use of energy; c) the growth in population is not expected to slow down by the year 2000; d) there will be a greater concentration of population in urban centres; e) per capita consumption of wheat is expected to rise, but this will be closely related to increases in income. There are undoubtedly reservations to be attached to this scenario. Even so, all of these factors suggest strong demand for wheat with accompanying strong prices, and the study, in fact, suggested that the real price of food is expected to increase dramatically by about 95 per cent.

The poor world economic situation as well as the rapid production response by grain exporters in 1981-1982 has temporarily prevented these forecasts from becoming reality. The last year to 18 months have, instead, seen depressed world grain prices and the build-up of grain stocks, particularly in the United States. The thrust of the United States now is to reduce grain stocks by cutting back production, and to become more aggressive in export markets by subsidizing exports. While some of these measures may assist in reducing the large carry-overs in that country, the impact of certain elements, such as subsidized credit on producer incomes, is by no means positive in the short term.

World production growth is still expected. A recovery in world economic conditions can be anticipated. The "Global 2000" factors suggesting stronger demand and prices are likely to become relevant at some point during the remainder of this decade. Stable grain prices for Canadian consumers are important to producers. During the last three crop years, only two export markets, the U.S.S.R. and the People's Republic of China, have accounted for a larger volume of wheat than the domestic market. This demonstrates the importance of the domestic market to total wheat sales. Prices have a direct impact on per capita consumption of wheat products and, in turn, on wheat consumption. The domestic market accounts for the major proportion of sales of flour produced in Canada. Approximately 75 per cent of flour produced by mills in Canada is sold in Canada. The quantity of wheat used by the flour milling industry averaged 2.4 million tonnes during the last two crop years. If that amount of wheat is valued at the current domestic price of \$204.65 per tonne, \$5.57 per bushel, basis in store Thunder Bay, then these domestic sales are contributing approximately \$490 million to revenue from the sale of wheat.

The level of per capita consumption of flour is a key factor in the total domestic utilization of wheat. Between 1974 and 1978 inclusive, per capita consumption of wheat flour averaged 134.36 pounds, with the lowest in any of those years at 131.86 pounds in 1977. However, in 1979, after the price of wheat had been allowed to rise from the fixed price of \$3.25 per bushel which was in effect from September 1973 to November 30, 1978, the per capita consumption of wheat flour dropped to only 124.88 pounds, although it must be acknowledged that wheat prices are not the only factor affecting consumer prices for wheat products.

The proposal by the Hon. Member for Kindersley-Lloyd-minster to increase the minimum domestic price to \$7 per bushel, \$257.21 per tonne, would have adverse consequences for domestic utilization of wheat in Canada. There is a significant two-way trade between Canada and the United States in products manufactured from wheat such as bread and bakery products. Although Canada enjoys a surplus in this trade there have, in the last year, been increasing reports of companies importing products from the United States. Increasing the minimum domestic price of wheat to \$7 per bushel would be