

be experiencing a boom and the averaging of the farm income would not necessitate general pay-outs for several successive years. Is there any provision made under such circumstances for the grain stabilization fund to come to the assistance of farmers in areas that were stricken with misfortune during the general boom cycle?

These are some of the questions that require attention before the bill is passed in this chamber. There are senators who have a good knowledge of farming operations and economics. They should participate in this debate and in the discussions of the Standing Senate Committee on Agriculture this week, when the operation of the grain stabilization fund will be fully analyzed to make sure that the farmer is given a square deal.

We in the Opposition regard Bill C-41 as a much improved piece of legislation and therefore endorse it in principle. After further study in committee, where we shall seek satisfactory answers to questions and perhaps some alterations to make the bill more effective, we intend to support its passage on third reading. Our hope is that grain stabilization will help to improve the lot of the farmer and his contribution to the economy of Canada, and a better life for all Canadians.

**Hon. A. Hamilton McDonald:** Honourable senators—

**The Hon. the Speaker:** I wish to inform honourable senators that if the Honourable Senator McDonald speaks now his speech will have the effect of closing the debate on the motion for second reading of this bill.

**Senator McDonald:** Honourable senators, I shall attempt to answer some of the questions posed by Senator Yuzyk. In those areas where I am not able to give an adequate answer I am sure his questions will be put to the Standing Senate Committee on Agriculture when this bill reaches it.

He first asked how this program was to be administered. It is my understanding that there is a western grain stabilization administration which will administer the bill. The connection that the Canadian Wheat Board will have is, of course, in the fact that it is the main selling agent for prairie grains. They will, therefore, be doing the collecting at the country elevator points of delivery, and if the total of \$500, which is the maximum, is not collected there, they will make deductions from the final payments and so on. The individual farmer will make his maximum contribution of \$500, not only through the immediate day-to-day or month-to-month deliveries to the country elevator system, but also through any final or interim payment that may be made.

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Therefore, we can see that the administration will not be by the Canadian Wheat Board, but by the western grain stabilization administration.

The senator asked where the headquarters will be. I do not know.

He went further to ask if there will be branch offices. I cannot see the need for any branch offices, but this is my own personal opinion. The reason I say that is that this particular act makes provision for the calculation of total sales from the prairie region, that region where the act applies, and from those total sales the cost of production is deducted. Using those items that the senator referred to, a

figure is arrived at which is the net income to the farmers in this total region. If the income is below the five-year average, then there will be a payment made out of the fund. There is no need for branch offices.

This bill is not designed to take care of a crop failure in a particular area. As Senator Yuzyk mentioned, today most of the provinces of Canada have a crop insurance program. I believe all provinces affected by this particular piece of legislation have crop insurance. This is not a crop insurance program; it is a means of stabilizing income from the sale of grain over a period of years. When there is a crop failure in a particular area, then crop insurance, which is a shared cost program between the provinces and the federal government, comes into play.

This is the reason, in my view, why it is not necessary to have branch offices. This is the reason, in my view, why it is not necessary for this plan to be based on an individual producer's production and costs. In that case crop insurance is going to take care of his problems. This bill is designed to take care of a problem that concerns the whole Prairie region, where the vast majority of cereal grains are produced in Canada.

We are looking at two different problems, and there are two different pieces of legislation to deal with them. This one is to deal with low sales, low prices, drought or some other catastrophe that covers a large area. It is not meant to deal with a hailstorm, grasshoppers or drought in a confined area. Crop insurance is designed to take care of those particular problems.

With reference to the costs involved in the administration of the plan, I do not know what they will be and I cannot give an estimate, although I think they would be very small.

It is not very difficult to arrive at the total sales of cereal grain and the amount of money involved, and it is not very difficult to subtract from that total sum the cost of production.

The reason why depreciation is not included under the cost of production is that, when you are talking about cost, the only item taken into consideration is cash outlays. Depreciation on buildings and equipment is not a cash outlay in a given year, but all of those costs such as fuel, taxes, insurance, repairs, tires, tubes, anti-freeze, et cetera, represent cash that the farmer had to pay out of his pocket in order to produce a crop that he either did not sell because of restricted markets, or sold at a very low price, and consequently his income was not up to the five-year average.

Senator Yuzyk mentioned that this program may get into difficulties, or may not provide the benefits that we hope it will. If we get into an extended period of either very small sales or a combination of small sales and low prices and drought, then I agree there is that possibility. Under those circumstances, this program might not meet the needs of the day. I hope such circumstances never prevail, but if they do, then my own personal view is that certain amendments will have to be made to the legislation. If we find ourselves in circumstances similar to those of the thirties, this legislation would not be particularly meaningful since there would be virtually no payments