

months, in an effort to assure that the large amount of work which has gone into analysing the various costs of the components of the system may be now brought together by those who manage those components, but more particularly, by the community as a whole for the best advantage to prairie farmers and the communities upon which they depend, and which depend upon those farmers.

We did not stand idly by in regard to handling and transportation. The block shipping system assured that we could meet some of the challenges of the export levels which were being achieved.

We are now faced with the major challenge of the new investment which is required in the system. At this point we have ordered a further 4,000 hopper cars; this in recognition of the fact that these cars are an important part of the handling and transportation system, no matter what kind of solution is developed in terms of the total system. It is not the capacity of the existing system which is so much a challenge as the cost of that system as it exists, and as it would exist as labour and capital costs grow, and as so much of the system, which requires replacement, is in fact replaced.

The purchase of hopper cars at a cost of \$46 million for the first 2,000, the repair of some additional boxcars and keeping them in the grain service at a cost of \$5 million, are other examples of measures taken to assure that we could move the grain with the existing handling and transportation system. Co-ordinators were appointed at the terminals for the same purpose, to make sure that maximum advantage was taken of the available cars in the service of grain.

One of the major other methods which we are using in attempting to put the grain industry of Canada, and therefore particularly the prairies, in sound and solid shape, is this stabilization program which is now again before the House of Commons.

When we began to examine the grain industry and to consult—as we have done so widely with farmers throughout the prairie region—we found that, alongside the income problem, there was constant concern about the problem of stability, about the problem that good years and bad years could follow so closely, and that the bad years which a farmer saw were not necessarily related to his level of production. We were at the same time developing crop insurance programs which could deal with the specific problem of difficulties in production with individual farmers.

But so often on the prairies, because of prices and, more particularly, export opportunities, even when a good crop was being produced, income problems were suffered in days gone by. Because this product is so much more dependent upon export than most of our agricultural products, the ordinary approach of stabilization acts, which were known before that to this House and to this country, in stabilizing by trying to protect the price of the product, seemed to us on examination to be an inadequate technique in the case of grain. Price alone was only one of the factors which affected farm income.

The volume of product which could be moved into international markets could be even more significant. Often the difficulty in moving the product and low prices might

Western Grain Stabilization

accompany each other, but any program attempting to stabilize income had to take both of these factors into consideration. This is what first led us to the conclusion that the right kind of stabilization program for the grain industry was one which tied the level of production to the flow of cash into the grain industry, and in years when that flow of cash declines either because of price, volume, or a combination of the two, there should be support from a stabilization fund.

The bill which is before the House includes a levy from producers on the sale of their grain. This levy is initially and ordinarily set at 2 per cent of the sales value of the grain products. In the ordinary course it will be matched by a payment of twice that size from the federal treasury—in the order, therefore, of 4 per cent of gross sales.

• (2120)

The importance of this, Madam Speaker, is that once again the stabilization program, while aimed at the illness of instability, is at the same time another form of assistance on the income side to the prairie grain farmer. The stabilization fund will receive the levy from the farmers and the 4 per cent, with variations possible, from the federal treasury. As the pattern of past income levels has shown, these amounts will be paid out to the prairie farmer in such a way that he will receive the money he needs in the years he needs it most.

In summary then, on this basis of historical pattern the contribution from the federal treasury will mean an additional 4 per cent compared to what the market would otherwise produce. This is in addition to other programs which have been put in place which add income in one way or another to farm income, such as the program to pay part of the cost of storage of grain which was contained in the feed grains policy. We are prepared to pay up to \$40 million for storage of grain in connection with the obvious need of the producer of that grain for security and, therefore, the logical obligation to attempt to have someone other than the producer bear the cost of that security.

If this stabilization plan had been in effect in 1974, for example, the levy would have produced approximately \$90 million from the federal treasury on the basis of present estimated gross sales of grain. If the plan had been in effect in some of the difficult years, 1968 to 1971, for example, and if there had been full participation by prairie farmers, there would have been payouts of \$97 million in 1968, \$237 million in 1969, \$230 million in 1970, and \$50 million in 1971 when cash positions were beginning to show an improvement in the prairies.

In this bill we have introduced the protection of the prairie region grain farmers on the basis of net cash flow. Net cash flow is the cash remaining when the gross receipts for grain have had subtracted from them the cash costs of producing grain in that year. This means that the plan will be sensitive to changes in the cost of production as well as changes in receipts where based on volume. In theory at least, and indeed in fact, if the total receipts from grain remain the same in a good year compared to the previous five year average, when the rise in cash costs of producing grain occurs, the payment out of the stabilization fund could be triggered by that narrowing of net cash as a result of this production cost increase.