

Supply

products, eggs and poultry. These products are a very important part of the Canadian agri-food industry.

In the final round of GATT negotiations, we showed how serious we were by securing customs tariffs high enough to keep our supply management system almost unchanged. Some tariffs are as high as 200 per cent or 300 per cent for various dairy products.

These tariffs will drop by only 15 per cent over a six-year period. It is the smallest reduction required on such tariffs. In addition, international agreements call for limited access for imports while giving us comparable access elsewhere for our dairy products.

Consequently, all experts agree that this sector will enjoy a high level of protection for several years. As you will recall, when the GATT bill was before this House, we were accused of failing to protect article XI. That is how things were done.

It is good news, since the dairy sector is now experiencing a surge in activities. In 1993-94, Canadian industrial milk production rose by 3.2 per cent compared to the previous year, while a 4.5 per cent increase is forecast for this year. Quebec dairy farmers, who receive almost 50 per cent of national quotas, are taking advantage of the situation.

As for cutting the subsidies paid to industrial milk producers by 30 per cent over two years, it is necessary to do so to improve our public finances.

As elected representatives, we have certain inescapable responsibilities and reducing the deficit in real terms is one of them. We can no longer allow the deficit to keep adding to the national debt. We must strive towards fiscal balance. All Canadians agree on that.

Therefore, the government must cut its spending at every level and in many sectors, including the agri-food sector.

In the dairy industry, producers are currently paid \$5.43 per hectolitre in direct subsidy for industrial milk. An hectolitre is equal to 100 litres. So, in simple terms, this is a subsidy of about five cents a litre. Moreover, it does not apply to fluid milk, the milk that we drink everyday, for which producers are paid a higher price.

This means that only a portion of the dairy producers' income is affected. In that case, I think this decision is perfectly justified when, as we know and I repeat, the government has to cut its spending. It has no other choice but to take stringent yet sensible budget measures.

After all, the subsidy is not completely gone, far from it. Seventy per cent of it, or \$160 million, will continue to go to milk production. In the coming months, the Canadian Dairy Commission and officials from the Department of Agriculture and Agri-Food will hold consultations with the industry to set prices for the crop year beginning on August 1.

Later this year, the government will discuss with the industry how the subsidy can be best used. The most efficient use possible should be made of these funds, i.e. to support long term growth in the industry.

Producers and processors alike are committed to adjusting to the new global context. The Canadian dairy industry creates many jobs and generates billions of dollars in revenues. It is important that this industry be able to prosper and meet new challenges in the future.

The industry always sold a percentage of its production, particularly surplus milk powder and sought after cheeses, on the global market.

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Just recently, on a trade mission to Latin America, the Minister of Agriculture and representatives of the sector interested Brazilians in importing Canadian parmesan and mozzarella. This confirms that there are new markets for our excellent products.

At the last meeting of the national milk supply management committee, six of the nine provincial marketing boards decided to set up a special marketing quota in order to develop the export market. This new approach could see the light of day by the summer, and might eventually encompass all the provinces.

As we can see, the sector is changing to suit its needs. The government intends to help the move to a new generation of orderly milk marketing, as is already the case in the poultry and eggs sector.

Furthermore, the budget announced new ways of helping the agri-food sector as a whole, including the dairy sector. Moreover, the government is proposing a series of adjustment measures so that the industry can seize the new opportunities opening up on the world market and to compensate for the reduction in government funds.

The government is prepared to provide the financial tools, as evidenced in the doubling, a few weeks ago, of the funds available under co-operative credit legislation. It will also provide more market information to businesses wanting to expand their foreign sales.

As you can see, the government is helping the dairy sector, as its financial situation permits, in the same way it is helping other agri-food sectors.

The cuts announced are real but not dramatic to the point of harming the growth of the dairy sector. On the contrary, we want it to continue to develop within a context of orderly marketing.

[English]

Mr. Charlie Penson (Peace River, Ref.): Madam Speaker, I would like to thank the hon. member for his comments. I know he is as concerned about the future of agriculture in Quebec as I am about the future of agriculture in all of Canada.