

the conclusion of the latter, the Minister of State expressed his confidence that discussions between the five major grain exporting nations will reflect favourably on other multilateral negotiations dealing with agricultural trade.

One thing is sure however—Treasuries in the United States and the European Economic Community are not inexhaustible. It is my hope that those nations soon will realize the uselessness of a high price subsidization policy and massive export subsidies.

Nonetheless, Mr. Speaker, Canada holds on to its position on the global markets, even though grain prices have declined. The essential is to hold firm, because the efficiency of Canadian grain farmers compares favourably with that of any other producer anywhere in the world.

We also have a natural competitive edge thanks to our soil and our climate, to which must be added the quality of our grain and the skill of the grain producer himself.

The best way to attract and keep clients is to offer a superior quality product in the first place to build a reputation for reliability and to have competitive pricing. Let us try to increase our export potential by way of an aggressive marketing. We can increase our competitive position through research, technological progress and transfers, soil conservation and other initiatives that, given time, will allow us to reduce our production costs.

Eventually, Mr. Speaker, we will soon realize that this is more effective than the mere piling up of subsidies. It also requires more imagination, however. It is important that we be present on the markets when the subsidy war ends. We can then continue to offer what has earned us our reputation—superior quality products at competitive prices.

[English]

Mr. John A. MacDougall (Timiskaming): Mr. Speaker, it is an honour for me to be able to speak this afternoon on Bill C-221 introduced by the Member for Yorkton—Melville (Mr. Nystrom). Before speaking on this Bill I would like to indicate that the riding of Timiskaming has sometimes been noted more as an area for mining and lumbering. I should say that the little clay belt plays a very important role in the riding of Timiskaming in a number of areas of agriculture. People from other parts of Canada sometimes do not recognize that northern Ontario has a good agricultural base and does not simply consist of ice, snow, rock, trees and black flies. However, in the little clay belt in the riding of Timiskaming there are some 750 farmers who vary from dairy operations, to hog, beef, poultry and numerous cash crops.

• (1740)

There is no doubt that the agricultural community in Timiskaming has experienced difficult times just as have other parts of the agriculture community in Canada. The fact is that there have been problems with commodity pricing.

Parity Prices for Farm Products Act

Since I came here in 1982 we have been trying to address those concerns facing our agricultural community. We should recognize that the Minister of Agriculture (Mr. Wise) and the Minister of State for the Canadian Wheat Board (Mr. Mayer) have been very helpful in addressing our concerns in northern Ontario.

The concept of parity pricing was used in the United States in the 1940s and 1950s. Parity prices, as defined in U.S. legislation, were those prices which gave farm products the same purchasing power with respect to articles farmers bought in an historic base. To calculate the parity price for a commodity, the base price was multiplied by an index of prices paid by farmers.

There was a fundamental problem with the parity pricing concept. The indexing procedure took no account of changes in technology and productivity that had occurred since the base. In other words, improvements and changes in inputs and efficiency gains, which reduce costs, were not reflected in the parity prices. As a result, parity prices tended to yield price levels which were well above the costs of efficient producers. It was for this reason that the parity price system was abandoned in the United States.

Bill C-221, an Act respecting parity prices for farm products, attempts to get around this problem by proposing to set prices on the basis of an annual cost of production formula. More specifically, it proposes to: first, fix, on the basis of an annual cost of production formula, the prices of wheat, oats and barley used for domestic human consumption at between 90 per cent and 110 per cent of the cost of production; second, establish voluntary commissions for beef and pork with all the powers, including import controls and the determination of prices, necessary to market regulated products for participating producers; and third, after a five-year period broaden the authority of the commissions on the basis of a producer plebiscite.

While very simple in principle, the concept of cost of production pricing is very complicated in practice. It is, first, necessary to clearly define what is meant by cost of production. This is not done in Bill C-221. A clear distinction must be made between cash costs and returns to labour and investment. Returns to operator, labour and investment are not out of pocket costs but should be provided for in any price setting exercise.

In attempting to calculate a price based on production costs, two basic questions must be answered: one, how does one measure cash costs; and two, what is a fair return to operator, labour and investment?

Cost of production surveys for farms have shown a very wide farm-to-farm variation in the cash costs of individual farmers and an equally wide variation in the productivity of labour. If high cost and low productivity farmers are included in cost and return calculations, the resulting support prices are likely to be well above the levels needed to achieve satisfactory profits for efficient farmers. This situation usually results in high returns