

him to consider very carefully their representations in this regard. There are two distinct grades, one of which I know is cheap. It could not be used for anything but cattle feed, and if the minister cannot give way in regard to molasses used for domestic purposes as a substitute for sugar, I am sure he could exempt this other grade of molasses without any loss to the treasury. Can he not see his way to exempt that grade?

Mr. RHODES: If my hon. friend will look at the sixteenth line on page thirteen he will find that calf, cattle, hog, fox and poultry feed are all exempt from the tax. Where the type of feed is not specified, the interpretation can be so broad, I am advised by the officials, as to include that low grade of molasses which is used for feed purposes. In fact, it is included.

Mr. NEILL: Even when brought in in bulk by itself, when not mixed?

Mr. RHODES: Yes. The administrative difficulty does not arise there as it does with molasses used for human consumption. It is therefore quite possible to classify it as tax-exempt under these provisions.

Mr. NEILL: Thank you.

Mr. REID: I notice the words "beet pulp." The Minister of National Revenue is present and I would direct his attention and also his colleague's to an important point in connection with this item. In the Fraser valley we have no beet sugar factory, but beets for sugar purposes are grown extensively and taken across the line for manufacture. The farmers are paid so much per ton for their beets plus the return of some of the beet pulp. That beet pulp is returned to them in part payment, but when it comes back the customs department imposes a duty of twenty per cent plus three per cent excise. On taking up this matter with the department I was informed that regulation 709 would apply. This regulation reads:

Articles and other goods, the growth, produce or manufacture of Canada, returned to the exporter thereof after having been exported without having been advanced in value or improved in condition by any process of manufacture or other means;

When it was drawn to the attention of the department that the beet pulp being returned to Canada had not advanced in value or had not been improved in condition, the officials began immediately to scan the act in order to protect themselves, and so they found a clause under which they could impose the

duty. This was clause 1 in regulation 709, which reads:

All articles for which entry is claimed as returned goods must be returned within five years to the person by whom they were exported, and in the case of articles the produce or manufacture of Canada the property in such articles must have continued in the person by whom they were exported.

I might say that it is impossible for a farmer who has exported beets to state that the beet pulp being returned has been manufactured from the particular beets which he exported. When this regulation was put into effect I do not believe it was ever contemplated that the farmers should be taxed upon the beet pulp which was returned to them after being manufactured from beets which were exported. The committee which investigated the investigating of sugar from beets did not approve of the building of further factories at this time. If there was a factory in the Fraser valley it could well be said that the farmers could have their beets processed in this country, but they must send their beets across the line to be manufactured into sugar. I ask both the Minister of Finance and the Minister of National Revenue to consider seriously the allowing of free entry to beet pulp which has been manufactured from beets grown by Canadian farmers and exported from this country. The farmers receive this pulp as part payment for the beets which they export. This pulp now pays a twenty per cent duty plus a three per cent tax and there is some doubt whether or not the present sales tax will apply.

Mr. RHODES: The complaint of the hon. member for New Westminster has to do with customs administration and has no reference to the clause under consideration. Under the schedule now before us, dried beet pulp is specifically exempted from sales tax. I shall be happy to confer with my colleague the Minister of National Revenue upon the representations made by my hon. friend.

Mr. REID: There was no other item under which I could discuss this matter, and I took this opportunity as well as availing myself of the presence of the Minister of National Revenue.

Mr. EULER: It is not my desire to revert again to the matter of the tax on sugar, but I note that while bread is still on the exempted list in connection with the sales tax, rolls, buns or similar goods produced by bakeries are not exempt. I suppose this classification would also include cakes. Why should these articles be subjected to a tax in