

Economic Conditions in Rural Communities

legislative authority that is required to really come to grips with some of these fundamental problems. I hope that members opposite will cooperate with the government to reach the point where we can significantly and substantially improve this situation in the shortest possible time. That kind of co-operation has not been made manifest up to this time.

I now wish to deal with the dairy policy. Hon. members are aware that there have been some very important changes in the past 12 months; first, in the general improvement in the economic well-being of the dairy industry, and second, in the kind of structures to keep it that way and to keep moving up from the very unsatisfactory position which has existed for a number of years. I want to offer my appreciation and congratulations to the dairy farmers of Canada and to other interested organizations, particularly organizations at the provincial level, which have spent a great deal of time and effort during this past year in order to reach the agreement which was formally signed on January 14 of this year.

Under the new market quota system that is now in effect, we have reached the stage where we do not have any surplus of Canadian cheddar cheese. But the end of the dairy year, March 31, we will probably have virtually no surplus skim milk powder. We probably have approximately 30 million pounds more butterfat than is required for usual commercial marketing. However, now that we have increased the price of these commodities, we have an even greater responsibility to ensure that we manage this with the co-operation of the industry in such a way as to keep the industry healthy. I think that hon. members will agree that more milk should be diverted to the cheese factories for the production of cheese. Recently, the price has been around 55 cents which is 8 cents more than it was under the old support price program. This is something we should weigh very carefully.

• (4:40 p.m.)

On the one hand, if there were a large diversion to cheese we could do a great deal of damage to the satisfactory situation which exists today. On the other hand, if we fail to divert enough milk to cheese making we might cause a sharp increase in the price of cheese because of temporary shortage. This would inhibit an expanding market in Canada and possibly cause a very large diversion of milk to cheese production, as a result of which we would be faced, first of all, with unhappy customers because of higher prices and then, when the price came down, with unhappy producers. So, there is a delicate balance to be maintained and the situation has to be watched carefully. The domestic market is growing quite satisfactorily. Now that we have all the milk, not only in the manufacturing sector but also the over-quota milk from the fluid milk sector under these quotas, we have to make sure that we produce enough to supply the market, and not more, at a reasonable price.

Turning to grain, I am the first to acknowledge that the grains industry, particularly in western Canada, has come through a very difficult period. I do not believe we

have yet reached a point at which we can say that no further difficulties are likely with respect to cash flow and farm incomes, but I think it is fair to say that the federal government has recognized that producers were having a difficult time. Hon. members can look back over the figures at the size of the transfers which were made from the federal treasury into the grain economy during that period. It is, indeed, significant. Well over \$200 million has been paid in the last 12 months through the various programs which have been in effect, programs such as the Temporary Wheat Reserves Act, the Lift program, cash advances, the deficits in the wheat pool accounts which were paid by the treasury, and so on. I am sure no member of this House and, indeed, no farmer in western Canada, would wish the situation to remain such that it was necessary for the federal government to transfer this amount of money into the grain economy every year. I believe it is fully justified in a situation where there is a depressed market and very limited marketing opportunities but, hopefully, the action we have taken in co-operation with other producer countries around the world has resulted in a much healthier and more satisfactory international market. In these circumstances, therefore, there will be no need during the next 12 months for sums quite as huge to be transferred in order to keep this industry viable.

Some hon. members complain that no satisfactory agreement was reached in Geneva during the past few days. I suggest that what came out of this conference was, in fact, a most useful agreement. It is an agreement which provides, or continues to provide, for consultation and for the monitoring of prices. It continues to place some obligation on all the exporting countries to monitor their prices and to consult immediately if there is a serious downward trend in prices. It provides for other useful things as well. Some hon. members have focussed solely on the price range which was contained in the old International Grains Arrangement and in some of the international wheat agreements prior to that. They have complained that such a feature is absent from the agreement. But the history of these international commodity agreements shows that when there is a price range, from a floor price to a maximum, and when there is production in excess of requirement imposing a downward pressure on prices, almost without exception the price has gone through the floor. The last time this happened, hon. members opposite were the first to complain that Canada had waited too long before adjusting her price after other nations had penetrated the floor as far as prices were concerned.

There is another thing I want to say with respect to this grains proposal and what went on in the past 12 months. I might point out that what took place was not really negotiations; they were discussions with all the other leading exporting countries of the world. They were meetings with representatives of the United States, Australia, Argentina, the European Economic Community and other exporting nations. I am not trying to persuade the House that what Canada did under the Lift program by way of reducing the acreage was solely responsible for the improvement in the international market. I real-

[Mr. Olson.]