Economic Conditions

The upturn in our cattle cycle should have started at least three years ago. It is that much overdue right now. It is overdue because there is no genuine incentive to go back in and stay in the beef cattle industry in Canada. That disincentive situation started when we had the four-year disaster price situation in the mid-seventies.

I want to give some specifics on the impact of record-high interest rates. The 6 per cent jump, or increase from 12¼ per cent to today's 18¼ per cent on a $430 calf, which was the average price of a calf last fall, amounts to about $26. That is the single cost attributed to interest rates with the 6 per cent increases. That only occurred over the last three to four months.

The significance of that $26 is that it is usually somewhat more than what you anticpate as a net profit after buying a 430-pound calf and feeding it out over the following year, either in a feed lot or on a grass situation.

I want to refer to a most appropriate reference developed in the special article dealing with agricultural credit for the year 1981. The reference is from the *Canadian Farm Economics Journal* of June, 1979, volume 14, No. 3. The total agricultural credit requirement estimated in that detailed analysis for 1981 was $7.7 billion on a low plane and, on an alternative higher plane, as high as $9.4 billion. That is just for the one year we are about to enter.

The operating portion of these estimates is $5.1 billion on the low side and $5.6 billion on the high side. Those two figures are for operating costs only. Put another way, each one per cent rise in interest rates will cost Canadian farmers in total $77.9 million on the low basis, or $94.3 million on the high basis. That is for 1981. For the operating costs, it is $50.9 million on the low side and $56.2 million on the high side.

We know what has happened in the last three months. That 6 per cent jump in interest rates would total $300 million for the agricultural sector in 1981. I emphasize that these are cost estimates for interest only prepared by a most reliable source, Canadian Farm Economics.

In a more general comment on the impact of high interest rates on the Canadian agricultural sector, especially the beef cattle sector, it is well known that high interest rates affect farmers more critically than other non-agricultural sectors, for a couple of very important reasons.

First, agriculture is a more highly levered sector in our society when it comes to financial management. Second, fresh beef and beef products cannot be stored like many other sources of food such as cereal grains. By far the greatest negative impact of high interest rates is the disincentive created for the build-up of our beef cattle breeding herds in Canada. This is a long-term disincentive based on our traditional ten-year cattle cycle, the approximate period that our cycle usually runs. As I pointed out, that cycle is now two to three years longer. This is most important when we consider the position of our national beef breeding herd which is two to three years behind in its build-up.

Dean Jake Brown, the dean of agriculture of the University of Saskatchewan agricultural college, about two weeks ago made a very succinct statement about the implications of this disincentive. He pointed out to a task force symposium in Calgary that this lack of long-range incentive will prevent Canada from becoming self-sufficient in beef throughout the decade of the 1980s. In other words, we are destined to become net importers of beef throughout the next ten years. That is a tragedy in our cattle industry because we have the ability and the potential to be much more than self-sufficient.

In the short term, and what I have been saying up until now is the long-term situation, high interest rates may even bring about lower cattle and beef prices because there will be an understandable trend to unload cattle because of unprofitable cattle operations. We will see that happen very quickly from now on, but the more significant long-range impact of these record-high interest rates must inevitably result in higher beef prices to our Canadian consumers, and this is the situation perhaps we are not aware of now. That is inevitable because of the lack of domestic supply when we do not rebuild our breeding herd numbers. Let us not assume that we can make up our beef deficiencies by offshore imports, since Australia and New Zealand—and they are the two principal countries other than the United States which supply us with beef when we have to import—are at the low point of their beef cattle cycles just like Canada and the United States.

● (1310)

With respect to these remarks about our cattle industry and some of them about the Canadian agricultural sector in general, I have only one suggestion to make to the Minister of Finance (Mr. MacEachen) and to the government. Why not adopt the concept of the small business development bond for agriculture and in particular allow that concept to be used in the beef cattle industry? After all, I think that concept was well accepted, first of all by our party, and I think it is well accepted by the government. Why not give serious consideration to using that small business development bond concept? After all, the farmers are the original small businessmen of this nation, and I think they do need some special encouragement.

I want to make some comments which really are the result of the national energy policy which came out of the budget last October 28. These remarks will be quite specific and will deal with the natural gas and oil service industries in southern Alberta. They will deal particularly with the situation in Brooks, Alberta, which is in the northwest corner of my constituency. After that I will make some comments about the impact of the gas tax on my home city of Medicine Hat.

First with respect to the town of Brooks, it is about 180 miles from Medicine Hat on the way to Calgary. It is in the northwest corner of my constituency, and I say that surely it has been the fastest growing community in Canada over the last ten years. I have two letters which I want to read into the record which will indicate in a very concise way the situation and will show the impact of the national energy policy. The