

*Income Tax Act*

Plan? In the good years the farmer would be able to set aside money, tax-free, in a savings plan, from which he could draw in his poor years. Once withdrawn, that money would be subject to the prevailing tax rate. It is not unlike building up feed reserves for the hard winters that do come eventually. After last winter and last year's drought, those of us from southern Alberta and southwestern Saskatchewan know what that means.

The second approach that I think the Minister of Finance might consider is one that I have offered a number of times. It is a most serious and personal suggestion and is the result of some 48 years of living in the short grass regions of southeastern Alberta and southwestern Saskatchewan. That includes all the 10 years of the drought in the thirties and the more serious one-year drought of last year. Both the Minister of Finance and the Minister of Agriculture (Mr. Whelan) are fully aware of my serious representations on a drought tax deferral program.

This was a carefully documented proposal advanced by myself and the Canadian Cattlemen's Association that would allow an emergency sell-down of cattle due to severe drought conditions such as last year, rather than buying expensive feed that was not available. It would allow grass and feed supplies to come back with reduced stocking rates, and at the same time would allow cattle numbers to increase slowly by natural increment.

Mr. Speaker, may I call it one o'clock?

**The Acting Speaker (Mr. Turner):** It being one o'clock p.m., I do now leave the chair until two o'clock.

At one o'clock the House took recess.

**AFTER RECESS**

The House resumed at 2 p.m.

● (1412)

**Mr. Hargrave:** Mr. Speaker, when I called it one o'clock before lunch, I was referring to the proposal I made some time last year when the drought situation was very acute across southern Alberta and southwestern Saskatchewan. I proposed to the minister that he consider a tax deferral program which would encourage cattlemen to sell down their cattle in view of the obvious lack of grass and feed, then grow back in later, on the assumption there would be better years. That suggestion calls for consideration by the taxation department since the above average sell down would require tax deferral in order to avoid a punitive tax on the sales of cattle above the average.

At the time I made this proposal, the Minister of Finance did not receive support from the Minister of Agriculture and the special tax force which was created last year. I must say I was disappointed. I am confident the concept was sound, and I believe we should still have such a program available for

[Mr. Hargrave.]

drought emergencies. It is not too late to plan now for the next drought.

I want to express my support for the provision in this bill to extend manufacturing and processing incentives to profits from plants established to upgrade the heavy crudes which are now in substantial supply in both Alberta and Saskatchewan. This is a necessary complement to the recent federal action to permit heavy crudes to enjoy world oil prices similar to those applicable to the new Syncrude production expected next month. It is an obvious and necessary step to complement Alberta's oil exploration and development policies if only because it recognizes both the short term and the long term need to develop our vast heavy crude resources in addition to our oil sands resources.

This is a very important debate on finance and financing over a broad spectrum of Canadian business as earlier contributions have shown. My personal responsibility is, of course, to my leader and my party. I am concerned specifically, of course with the Canadian beef cattle industry. Most members will be aware that after three or four years of distressed cattle markets, the industry has made an incredible turn-around. Over the last two months, cattle markets have advanced to record levels. We should realize that these latest market increases reflect the current drop in beef production in both Canada and in the United States, rather than as a result of inflation.

Over the last three or four years, high beef production and low cattle prices, along with escalating costs, have brought severe financial losses to cattlemen and forced the selling off of basic herds. In my remarks on the budget last month I concluded by expressing a hope that governments, politicians, and cattle producers themselves would all learn some very costly lessons from the bitter experiences of those years.

Canadian cattle producers have already initiated a new "Beef Watch" program in an effort to anticipate the cattle and beef cycle, to project trends and advise accordingly. This survey and assessment by the staff of the CCA and their Canfax resource is being published twice a year, in May and November. I should like to read certain passages from the survey into the record:

The main danger in the present beef situation is that producers may have already reduced the North American beef herd too much—and there may be a tendency for cattlemen to rebuild the beef herd too quickly.

It goes on to say:

There are now clear signs that North American beef producers have already cut back their breeding herds quite far enough. During 1978, producers should initiate a moderate rebuilding phase of around 1½ per cent to 2½ per cent in cow numbers. That is the major message in this edition of *Beef Watch*.

Later on the publication has this to say:

Consumer demand for beef will strengthen progressively over the next 3 years. That's because most of the factors that contribute to demand will have positive effects through 1980.

Per capita beef supplies will decline each of the next 3 years. Total supplies are expected to decline from 112 pounds per capita in 1977 to 88-93 pounds by 1980.

Per capita disposable incomes will continue to rise, though quite possibly at a reduced rate. We are cautiously projecting a 6% rise per year in per capita disposable income. As beef supplies decline and incomes rise, we expect that