

*Western Grain Stabilization Act*

**Mr. Pepin:** Yes, sir.

**Mr. Malone:** They will not stay.

**Mr. Pepin:** Fifth, since January 1, 1984, participating producers pay a levy of 1.5 per cent of their grain sales proceeds into the Western Grain Stabilization Fund, up to a maximum of \$900. Previously the levy rate was 2 per cent. I just want to add that producers have contributed up to March, 1984, \$365 million to the fund.

Sixth, the federal Government now contributes 3.5 per cent of grain sales proceeds of participants to the fund. So participants, 1.5 per cent; the Government, 3.5 per cent. Prior to January 1, 1984 that contribution was 4 per cent of grain sales proceeds. Between 1976 and the end of March, 1984 the federal Government contributed about \$720 million to the fund. I see Hon. Members opposite making notes. I compliment them on their sense of responsibility.

**Mr. Neil:** They are all farmers.

**Mr. Pepin:** The federal Government pays interest on the balance left, after pay-outs, in the Western Grain Stabilization Fund. Between 1976 and the end of March, 1984 the Government paid about \$244 million in interest into the fund. Hon. Members will notice the relatively generous federal contribution to this fund.

**Mr. Hovdebo:** Nine per cent.

**Mr. Pepin:** I am talking hundreds of millions, not chicken feed.

The Western Grain Stabilization Program paid out substantial amounts in 1977 and 1978. Together they amounted to \$365 million. This was primarily because the average value per tonne of sales had fallen in those years from considerably higher levels in 1974, 1975 and 1976. However, grain prices recovered after 1978 and the incomes of grain producers improved. For example, in 1981 gross grain receipts to the prairie grain sector were a record \$6.2 billion, with an average value per tonne of sales of \$209 on total marketings of 29.6 million tonnes. In those circumstances there was no pay-out from the fund.

Now I should like to deal with the present more dramatic situation. It will justify the amendments about which I will speak. From 1981 to 1983, the average value of the seven grains covered by the program dropped by 20 per cent to \$168 per tonne. Hon. Members will recall that in 1981 it was \$209 per tonne. On the other hand, the volume of marketings by prairie grain farmers increased by 24 per cent to 36.7 million tonnes in 1983. We see a drop in price and a very great increase in volume. The very desirable increase in marketings of grain, which by the way is evidence of the commendable job which the Canadian Wheat Board and the grain industry in general are doing in selling and moving prairie grain, has had the effect of masking the negative impact of lower prices and of limiting the responsiveness of the Western Grain Stabilization Program to price declines. The fact that we have had a

large increase in our exports has been masking or preventing a greater sensitivity of the program.

● (1230)

Similarly, the strong increase in volume helped offset the impact on net cash flow of increases in cost of production experienced in recent years. Consequently, although total receipts and, therefore, total cash flow have been at a high level in the past three years because of the record volume, farmers are nevertheless feeling some financial difficulty because of lower prices and higher costs.

Let me say it again slightly differently. Because the prairie grain sector is receiving more money due to increases in volume of sales, the total net cash flow has not dropped below the previous five-year average and there is, therefore, no justification under the Bill as it is for a pay-out, although there are serious problems in the grain sector due to price declines and cost of production increases. Clear? I was expecting applause, and that is why I paused. The conclusion is that the existing Western Grain Stabilization Program is not as sensitive to the financial situation of farmers as it should be. That is the reason for these changes I announce to-day.

The Government is cognizant of that difficult financial situation and the financial position of many grain producers is being squeezed, as we know, in that money left over after cash costs are met has declined over the last decade both in terms of purchasing power and as a proportion of the total receipts. One indicator of that is the number of farm bankruptcies, which have been increasing. I have all the numbers but I will not include them in my text.

Outstanding farm debt has also increased considerably in recent years. Total farm credit outstanding now exceeds \$20 billion, 50 per cent of that in the west. As the Canadian Federation of Agriculture workshop on farm credit in the spring of 1983 noted, it is generally agreed that some 10 to 15 per cent of farmers were "in financial difficulty because of farm debt".

As no stabilization pay-out for the calendar year ending December 31, 1983 would be triggered under the existing program, it was therefore clear to the Government that amendments were required to make the program more responsive to the farmers' financial situation. The Government assessed very carefully the factors that seemed to be limiting the effectiveness and responsiveness of the program.

The major factor limiting the program's responsiveness has been the increasing volume of grain marketing in relation to the changes in selling prices and production costs. Even though prices had declined for two years in a row and are at relatively low levels compared to 1980-81 levels, a pay-out under the Western Grain Stabilization Act was not triggered for 1983. That situation is going to continue unless changes are made. The grain industry has generally accepted an export target of 36 million tonnes of grains and oilseeds by 1990. We have already reached total grain exports of 29.5 million tonnes in 1982-83, and in the current crop year exports are running slightly ahead of last year. This phenomenon of high volume is