

established which, in turn, set a maximum domestic price of \$5 per bushel to producers. In the case of durum wheat, the domestic price was allowed to vary between \$3.25 and \$5.75 per bushel, and the subsidy was payable between \$5.75 and \$7.50 per bushel.

Under these subsidy arrangements, the government made payments totalling \$396 million between 1973 and 1978 to the benefit of consumers. In the fall of 1978, as one of a number of measures designed to restrain government expenditures, the government decided to terminate subsidy payments under the Two-Price Wheat Act. This action was designed to save the government \$200 million up to the end of this crop year.

At the same time a new domestic pricing scheme was introduced by establishing, through regulations under the Canadian Wheat Board Act, a minimum price of \$4 and a maximum price of \$5 for wheat sold for human consumption. The minimum price for durum was also raised to \$4 per bushel, but the maximum was left at \$7.50 per bushel. This action continued to provide a minimum price for the benefit of producers and to protect consumers against wheat prices rising above \$5 a bushel or durum prices rising above \$7.50 per bushel. In this respect the maximum domestic wheat price has remained at \$5 a bushel since 1973, although average market prices have been significantly higher throughout this crop year.

● (1510)

The purpose of Bill S-6 is to remove any obligation for the government to pay the subsidy in the light of the changes made in the domestic pricing system. Consumers have been paying market prices up to a maximum of \$5 a bushel. This has resulted in some increase in bread prices, although a number of other cost items have also contributed to the price rise. It is estimated that the impact on the consumer price index of the change in wheat prices was an increase of 0.04 per cent, while the food component of the index is estimated to have increased by 0.1 per cent during the three months following removal of the subsidy in 1978.

The Two-Price Wheat Act, and the current domestic wheat pricing scheme, apply up to the end of the current crop year. The government has announced a new policy to be implemented for the next crop year. It was announced in a bulletin, and I quote:

The new minimum and maximum prices for Canadian wheat sold for domestic human consumption will be \$5 and \$7 per bushel, basis No. 1 Canada Western Red Spring Wheat at Thunder Bay (i.e. a range between \$183.72 and \$257.21 per tonne).

I would point out to hon. members that the Two-Price Wheat Act came into force in July, 1974. It is to be repealed the earlier of the date to be fixed by proclamation or July 31, 1980. It is due for repeal July 31 this year. The purpose of Bill S-6 to bring into line what has actually been the practice throughout the years. I urge hon. members to support this bill.

**Mr. Vic Althouse (Humboldt-Lake Centre):** Mr. Speaker, the amendment to the Two-Price Wheat Act before us today will prompt a lot of debate and discussion in the farm commu-

nity because we have just gone through a year when there was a considerable amount of subsidization by farmers. At one point farmers were being asked to contribute in excess of \$1 million a day because the ceiling has been fixed.

The original intent of the Two-Price Wheat Act probably came out of arguments and discussions in the middle and late forties when the Government of Canada under Mackenzie King and later Louis St. Laurent made agreements with the government of Great Britain to provide wheat at guaranteed prices.

Those guarantees were not lived up to by either the British or the Government of Canada, which had made the agreement. This prompted farmers to ask for some restitution. After four or five years' debate, from statements having been made by various ministers of the day it became clear there was no excuse for the farmers not being paid a higher than world price for bread wheats consumed in Canada. It was argued that a great many other industries in this country were subsidized through tariffs. They are protected from competition outside our borders and cheap goods coming in. It was thought that a similar kind of protection should apply to domestically produced grains in the higher priced domestic market.

It was argued that at least the cost of production should be recovered for grains produced in Canada. It was realized that with the amount of exports and the size of the Canadian economy at the time, it was unrealistic to assist to the full cost of production. In most years those grains amounted to less than 10 per cent, and it was felt there should be a guaranteed cost of production.

It was a long time before that kind of act was introduced. As is always the case in politics, from the moment of conception until the moment of birth of the act, a great many changes had taken place. Instead of having a guaranteed cost of production for those grains produced for consumption within our boundaries, we had a floor price and a ceiling with a range that prices could fluctuate within. If the price on the world market dropped below the floor, the farmers were guaranteed the floor price for milling wheats in this country.

There was some protection for consumers in the proposal in that, if world prices went above the ceiling, domestic millers did not pay more than the ceiling price. For most of the time in the past year, world prices exceeded the ceiling. As a consequence, Canadian farmers in effect subsidized consumers because of the way this act is written. The Parliamentary Secretary to the Minister of Transport (Mr. Bockstael) gave figures for the past three years. He stated that by dropping the subsidies here the government saved something like \$200 million.

At the same time as reducing the commitment to assistance in Canada occurred, we began operating under a different grain marketing system. We shifted the marketing of feed grains, lower grades of wheat, out of the jurisdiction of the Canadian Wheat Board on to the open market. The effect of that has further eroded the income of farm producers in western Canada.