● (1540)

As has been said by many members, the bill itself is exceedingly complicated and it is doubtful whether many farmers will fully comprehend its provisions. Because of that, they may be wary about taking advantage of its provisions. I should like to make some comments regarding amendments that we should perhaps move to the Crop Insurance Act, putting into it many of the stabilization benefits contained in this bill. Farmers on the prairies are familiar with crop insurance and are happy with the provisions which have been put forward through which the federal and provincial governments are taking part in respect of payments on crop insurance. Because of this familiarity, I think farmers would be much more open to that type of stabilization than to the complicated procedure put forward in this bill.

It cannot be disputed that stabilization is the only way we can mitigate this roller-coaster type of situation that we have in the agricultural economy. The question is, what kind of stabilization do we need? Let me make some points consistent with those put forward by the notable agricultural economist, Dr. Philip Thair. In 1974 there was a significant increase in realized net farm income over the 1973 farm income level; and the 1973 net farm income was 39.2 per cent higher than that for 1972. In the five years from 1955 to 1960, the average annual change in realized net income over the previous year was 10.3 per cent. In the 1961 to 1965 period, this was 10 per cent, and in the 1966 to 1970 period it was 10.7 per cent.

Suddenly, in the 1971 to 1974 period the average annual change was 36 per cent. There was a consistent average annual increase of around 10 per cent up to that time, and then there was a dramatic increase of 36 per cent. These figures are the Canadian aggregate and do not take into account the variability between regions or commodities. The annual variability in Saskatchewan was almost double the Canadian figure. No industry can endure such changes without suffering severe repercussions.

The virtually inordinate changes in the past two years have served to increase the farmer's vulnerability. Heightened price levels necessarily entail escalating cost commitments which are locked into a fairly rigid upward trend. This means that the farmer becomes more greatly exposed to decreasing product prices, not simply because of profit loss but, more importantly, because of high-priced, fixed input commitments. His entire operation can be jeopardized when product prices slip.

This is certainly true of the cow-calf feedlot industry today. Prices a number of years ago were increasing and reached a peak of over $50 per 100 pounds. At that time farmers made substantial outlays. A number of farmers were enticed into the industry, in some cases by provincial governments and the federal LIFT program. We saw that peak reached and then prices declined to where they are today, somewhere between $35 and $40 per hundred. This has severely jeopardized the position of the farmer who made this capital outlay because of increasing product price, because he now finds himself facing these high capital costs and low product prices.

The proportion of operating and depreciation charges to realized gross income gradually increased from approximately 60 per cent in the mid-1950s to about 70 per cent in the 1968 to 1971 period. Because of the unprecedented and unpredictable market situation in the last three years, this has fallen back to about 60 per cent. However, we must remember that product prices have risen phenomenally and that when these prices soften or fall the proportion, because costs have remained at higher levels or have inflated, will be far in excess of the 60 per cent figure. In fact, prices need only fall slightly in order for the proportion of costs to exceed 70 per cent or 80 per cent on an aggregate basis.

What I am trying to say is that land values are inflating, and machinery prices are escalating rapidly, as is the price of fertilizer and energy. Many input costs are increasing. In fact, we know that the input costs of a farmer are increasing at approximately the rate of 10 per cent, or at a greater rate than product prices have increased in the industry. This is a very serious situation for many farmers with heavy financial commitments who are now facing lower prices.

In the past few weeks we have brought forward legislation in an attempt to entice young people into agriculture. I refer specifically to amendments to the Farm Credit Act. Many hon. members have echoed the words of others who have expressed ideas as to how we should get young people into agriculture. This is very important, but it is also important that these people have their incomes stabilized in order that they can expect a certain end product in 10 or 15 years. The situation must be stabilized or these young people will virtually be thrown out of business.

We must not overlook the fact that the agricultural boom in the last few years has not served to lessen the economic gap between the rich farmer and the poor farmer. The wealthy producer still reigns supreme in the sense of total capital, and being in a stronger position he is able to grow even larger by bringing together the land in his area.

Because of present agricultural instability, the current declining trend in farm enterprises is likely to be perpetuated. Many young men wish to get into agriculture, but this tendency will not greatly moderate the decline in the number of farm enterprises. Many of those who do not commence farming will merely be replaced by older farmers who consider it expedient to increase their profitability by increasing their land holdings. Given the fact that larger farms are now in a more propitious capital position to effect consolidation, I still believe we will be witnessing an ever widening decline in the number of small farming units in Canada, particularly the small family farm units. Stabilization can help the young farmer plan his production cycle so he can see the entire profit picture and know that he will be able to pay back the interest on his principal. Again I would ask, what form of stabilization would be the best?

A great number of the predictions by agricultural economists and people in the Department of Agriculture have been of a shortrun nature. It has been recognized in the past that shortrun forecasts are not extremely reliable because of unpredictable world trends and events, as well as the acts of nature which farmers must face. In order for a farmer to make a relatively accurate decision regarding capital input expenditures, longer run projections are necessary. Yet forecasting in times of great change is