



Canada. Parl. Senate.  
Standing Comm.on Banking  
and Commerce, 1957/58.  
Proceedings...

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1957 Second Session

THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

# BANKING AND COMMERCE

To whom was referred the Bill (14), intituled: "An Act to provide for Advance Payments for Prairie Grain prior to Delivery thereof".

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The Honourable **SALTER A. HAYDEN**, Chairman

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WEDNESDAY, NOVEMBER 6, 1957

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WITNESSES

The Honourable Gordon Churchill, Minister of Trade and Commerce.

Mr. M. W. Sharp, Associate Deputy Minister.

Mr. J. D. Affleck, Legal Adviser.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1957



COMMITTEE ON BANKING AND COMMERCE

The Honourable Salter A. Hayden, Chairman

The Honourable Senators

Aseltine	*Haig	Paterson
Baird	Hardy	Pouliot
Beaubien	Hawkins	Power
Bouffard	Hayden	Pratt
Burchill	Horner	Quinn
Campbell	Howard	Reid
Connolly ( <i>Ottawa West</i> )	Howden	Robertson
Crerar	Hugessen	Roebuck
Croll	Isnor	Taylor ( <i>Norfolk</i> )
Davies	Kinley	Turgeon
Dessureault	Lambert	Vaillancourt
Emerson	Leonard	Vien
Euler	*Macdonald	White
Farris	MacKinnon	Wilson
Farquhar	McDonald	Wood
Gershaw	McKeen	Woodrow—(50)
Golding	McLean	
Gouin	Monette	

50 Members—Quorum: 9

\*Ex officio member.

## ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

TUESDAY, November 5th, 1957.

“Pursuant to the Order of the Day, the Senate resumed the adjourned debate on the motion of the Honourable Senator Aseltine, seconded by the Honourable Senator Horner, for the second reading of the Bill (14), intituled: ‘An Act to provide for Advance Payments for Prairie Grain prior to Delivery thereof’.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Haig, P.C., moved, seconded by the Honourable Senator Aseltine, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion—

In amendment, the Honourable Senator Pouliot moved, seconded by the Honourable Senator Stambaugh, that the Bill be not now referred to the Standing Committee on Banking and Commerce but that it be referred to a Committee of the Whole presently.

After debate, and—

The question being put on the motion in amendment, it was—

Resolved in the negative.

The question being again put on the original motion, it was—

Resolved in the affirmative”.

J. F. MacNEILL,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

WEDNESDAY, November 6, 1957.

Pursuant to adjournment and notice the Standing Committee on Banking and Commerce met this day at 10.30 a.m.

*Present:* The Honourable Senators Hayden, Chairman; Baird, Beaubien, Bouffard, Crerar, Croll, Davies, Dessureault, Euler, Haig, Horner, Isnor, Kinley, Leonard, Macdonald, MacKinnon, McLean, Paterson, Pouliot, Pratt, Reid, Robertson, Turgeon, Vaillancourt and Wilson.—23.

*In attendance:* Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel.

Bill 14, "An Act to provide for Advance Payments for Prairie Grain prior to Delivery thereof", was read and considered clause by clause.

The following were heard in explanation of the Bill:

The Honourable Gordon Churchill, Minister of Trade and Commerce.

Mr. M. W. Sharp, Associate Deputy Minister, Department of Trade and Commerce.

Mr. J. D. Affleck, Legal Adviser, Department of Trade and Commerce.

It was resolved to report the Bill without any amendment.

On motion of the Honourable Senator Haig, it was resolved to report recommending that the Committee be authorized to print 800 copies in English and 200 copies in French of its proceedings on the Bill.

At 11.45 a.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,  
*Assistant Chief Clerk of Committees.*



**THE SENATE OF CANADA**  
**STANDING COMMITTEE ON BANKING AND COMMERCE**

**EVIDENCE**

OTTAWA, WEDNESDAY, November 6, 1957.

The Standing Committee on Banking and Commerce met this day at 10.30 a.m.

Senator **SALTER A. HAYDEN** in the Chair.

The **CHAIRMAN**: Gentlemen, we are now proposing to deal with Bill 14, dealing with prairie grain advance payments.

Hon. Mr. Churchill, the Minister of Trade and Commerce is here as is also Mr. Mitchell Sharp, the Deputy Minister, and Mr. J. D. Affleck, the Departmental Solicitor.

Shall we follow our usual practice of having a statement from the minister as to the purpose and the intent of the bill before we go ahead to consider the detail of it?

Hon. **SENATORS**: Agreed.

Hon. **GORDON M. CHURCHILL**, Minister of Trade and Commerce:

Mr. Chairman and honourable senators, I appreciate the privilege of appearing before you on this important piece of legislation. I know that you have already given consideration to it in your house and are now prepared to consider it clause by clause.

The purpose of the bill I think is pretty clearly understood. It is to meet the situation that has arisen over the last few years of surplus crops, not sufficient storage capacity, resulting in the holding back on the farms of grain which the farmer under other circumstances would have the opportunity of delivering and for which he would receive his initial payment. It is to meet that situation that this bill has been brought forward providing for advance payments on grain which cannot, due to no fault of the farmer, be delivered at this particular time.

We have attempted to make the bill as simple as possible, carrying the well known method in operation now for many years of dealing with farmers' marketings back one step further and authorizing, by this bill, the Wheat Board, through the elevator agents, to make to farmers advance payments on grain which subsequently will be delivered. It differs in no respect from the method of making the initial payments when the grain is delivered.

Now, working on that assumption, to keep the bill simple and in accord with the well known practice, we have brought forward this measure. The details will emerge as you consider the bill clause by clause.

We have endeavoured to impress upon the public mind that these are advances, and these advances will be repaid by the farmer as he delivers his grain. They are, definitely, not loans.

Senator **CRERAR**: It is really a purchase of the grain?

Hon. Mr. **CHURCHILL**: It is a purchase of the grain by the Wheat Board, just as it would do when the grain is delivered to the elevator.

Senator **EULER**: How much is the amount involved?

Hon. Mr. CHURCHILL: The amount involved, I would say, might run between \$100 million to \$150 million. That is an estimate and we will see as time progresses what that amounts to. We think that most of the advances will be repaid over a period of six months as deliveries come forward because there is still going on a substantial movement of grain into trade channels and as space is cleared in the country and terminal elevators the grain will be delivered by the farmers and the same normal process will continue, and over a period of six months we feel that the majority of the advances that will be made this fall will be repaid.

This legislation will put into the hands of the farmer a portion of the cash he needs for his normal operations this fall, and it has generally received the support of farm organizations. We have received very co-operative assistance from the elevator companies, who have to carry out the actual details of advancing money.

The CHAIRMAN: On average, what do you think the payments might be, or is that too large a question, to ask you to give an average? If you took all the persons who might be entitled to a loan, what would be the average payment?

Hon. Mr. CHURCHILL: I do not know whether we worked out an average.

Mr. SHARP: No, we did not, but there are 231,000 permit holders.

Senator MACDONALD: What was the amount, again? You said there were 231,000 permit holders. What is the total advance likely to be if they all take advantage of this legislation?

Hon. Mr. CHURCHILL: Between \$100 million and \$150 million. Some farmers will not require the advance because they are able to make deliveries, and others for various reasons may not ask for it, so we are not expecting that every single one of the total number of grain farmers will come forward asking for this advance. However, as you realize, we are moving into what is rather a new field here, and only through experience as the months go by will we know exactly how this meets the situation. We appreciate the fact that it may not be complete in every detail, but we feel that it is acceptable piece of legislation that can be put into operation fairly quickly, and then we will be able to judge from experience whether it meets the need as we see it.

Senator MACDONALD: I asked in the house whether a loss is to be anticipated, but I did not get an answer, and I was told that we would probably get an answer here,—as to what losses are anticipated, and why losses would occur.

Hon. Mr. CHURCHILL: Our feeling was that we do not dwell too much on losses because we think that the farmers will certainly deliver their grain. The cash advance is only half of the initial payment, and naturally the farmer will want to deliver his grain and get the other portion that will come to him. Losses will occur, perhaps, in instances where a farmer has moved away or, for various reasons, has perhaps disposed of his grain; but how awkward it will be for a person who does not meet his requirements here shows clearly when you consider that the delivery of grain is based upon the holding of a permit book. And a man who does not clear his obligations under this will have some difficulty in the future when he comes again for his permit book. I think that losses will not be very serious. We had, of course, to look ahead and see how we might deal with losses, but we do not anticipate too much trouble there; and in any case the loss situation will not appear until quite late next year.

Hon. Mr. DAVIES: You say that the advances will be paid within 6 or 9 months. You mean by delivery of grain, not by cash?

Hon. Mr. CHURCHILL: By delivery of grain. The whole grain situation is showing a bit of an improvement at the present time, and our forecasts are

that the sale of our products will be reasonably good. Consequently, if we are able to export during this crop year 300 million bushels of wheat, plus our normal export of barley and oats, it certainly is conceivable that the cash advances will be repaid within a reasonable time.

Senator DAVIES: If a wheat farmer has not been called upon to deliver any grain, will you expect him to turn the cash in within six months?

Hon. Mr. CHURCHILL: No, that is taken care of in one section of the bill.

Senator DAVIES: I have one other question. If a farmer takes advantage of this bill and he has already borrowed some money from the bank under the previous assistance bill, will the bank have any prior claim on the cash advance?

Senator ASELTINE: He does not get it.

Hon. Mr. CHURCHILL: There is a section in the bill which deals with that particular question. If you move forward a bit in the bill you will see it.

Senator EULER: If losses do occur—and you think they would be quite small—against whom would they be charged? Would that be taken care of by way of eventual distribution to the farmer, or would the Government stand the loss?

Hon. Mr. CHURCHILL: The Government is prepared to meet 90 per cent of the loss, and the elevator companies the remaining 10 per cent.

Senator CRERAR: How will that be done, Mr. Churchill? By agreement?

Hon. Mr. CHURCHILL: By agreement between the Wheat Board and the elevator companies.

Senator TURGEON: Am I right in assuming this proposed legislation will apply to the Peace River District of British Columbia?

Hon. Mr. CHURCHILL: Yes, in the designated area.

Senator REID: In the case of private elevator companies which have elevators at seaports, do they keep their elevators filled with wheat under the direction of the Wheat Board and are they paid for the storage?

Hon. Mr. CHURCHILL: Yes.

Senator REID: What I had in mind is this. If they were filled would they still bring grain from the Prairies to these coastal elevators? In other words, would they keep them filled?

Hon. Mr. CHURCHILL: I think the intention is to keep the grain in a position for immediate export.

Senator MACDONALD: There is one more question I wished to ask. I hesitate to ask it because somebody may say that I am against this bill, which is not the fact. I am wholly in favour of the bill. It is expected they will require advances totalling \$100 million to \$150 million. I understand that the Board is to borrow this money and then the cost is to be borne from the Consolidated Revenue Fund. Is that right, that the Government pays the costs which the Grain Board will incur by borrowing the money and making the advances?

Hon. Mr. CHURCHILL: Well, the Wheat Board will make its borrowings from the bank as it has done in the past, and the interest on this money which will be used for cash advances will be borne by the Government.

The CHAIRMAN: It will be paid out of the Consolidated Revenue Fund.

HON. MR. CHURCHILL: Yes.

Senator MACDONALD: Is there an estimate as to how much that might be?

Hon. Mr. CHURCHILL: My colleague, the Minister of Agriculture, who very kindly looked after this bill in the committee stage when I was at Geneva, estimated it at, I think, \$2 million. I had the reference here just

a minute ago. There again, it depends on how long the money is out. If deliveries are rapid, the advances are paid back, and, the interest charge money, of course, would be reduced.

Senator CRERAR: The amount for loans is less than expected?

Hon. Mr. CHURCHILL: That might well be.

The CHAIRMAN: It would look as if his estimate was based possibly on \$100 million at 5 per cent for six months?

Hon. Mr. CHURCHILL: Four and a quarter per cent.

Senator BEAUBIEN: I would like to ask the minister this, that if there is a certain amount of extra work for the Wheat Board to administer the act in connection with the head office of the companies, would whatever the extra expense the board incurs be charged in the final payment on grain to the farmer?

Hon. Mr. CHURCHILL: Well, the board is undertaking the administration. It is an extra bit of administration that requires setting up individual files for each farmer who takes advantage of it, and the cost of administration will be borne by the Wheat Board.

Senator BEAUBIEN: And that will be charged to the wheat producer?

Hon. Mr. CHURCHILL: Well, they consider they have certain funds available, and it will not affect the final payments on this bill. Section 19 of the bill deals with that, which says that the expenditures of administration shall be deemed to be expenses of the board within the meaning of section 26 of the Canadian Wheat Board Act; and if this is passed by Parliament the Wheat Board, under instruction from the Governor in Council may use the separate account referred to in section 29A of the Canadian Wheat Board Act. That separate account, I am given to understand, is fairly substantial, and it has been drawn upon for other purposes in other years.

Senator BEAUBIEN: What does the separate account consist of?

Hon. Mr. CHURCHILL: Well, Mr. Sharp will answer that.

Mr. SHARP: This is unpaid participation tickets; these are uncashed cheques or unapplied for participation tickets; so they were put into this special account.

Senator BEAUBIEN: Unpaid—

Mr. SHARP: Participation payments—final payments.

Senator BEAUBIEN: You would think in the position the grain growers, the wheat producers, were in, there would not be many of those cheques for the fund.

Mr. SHARP: There is a substantial amount.

Senator BEAUBIEN: The point I am trying to make is this: If there is not enough money in the fund to meet the cost of administering the act—that part which the Wheat Board will administer—will the cost in the final analysis be charged to the Wheat Board?

Hon. Mr. CHURCHILL: We think the fund is sufficient for that purpose; but if not it would come back as a general charge against the Wheat Board.

Senator BEAUBIEN: One further question: I see the bill refers to joint producers. Could you explain, Mr. Minister, what joint producers means? Suppose I rent land to a farmer on a crop share basis, and he wants to borrow money on his share of the wheat crop.

The CHAIRMAN: He wants to get an advance.

Senator BEAUBIEN: Yes, he wants to get an advance. Do I, as the owner of that land, have to participate before the renter can get the advance?

Hon. Mr. CHURCHILL: My understanding is that it will be exactly the same as the circumstances under which the farmer gets an initial payment for grain delivered; in other words, whatever has been the practice in the past will continue to be the practice with respect to cash advances.

Senator BEAUBIEN: In other words, if the man who owns the land needs the money as well as the man who rents it, he can participate in the benefits under this bill?

Hon. Mr. CHURCHILL: Yes, if he has been participating in the initial payment plan; whatever has been his arrangement there, will continue.

Senator BEAUBIEN: May I ask one further question? In the district from which I come the wheat producer has gone to a certain extent to the production of oats. How many bushels of oats per acre will the farmer be able to borrow on under this act, or get cash advances on?

Hon. Mr. CHURCHILL: It will be just the same as for wheat, six bushels per specified acre.

Senator BEAUBIEN: But the bill provides 20 cents a bushel for oats. How is the producer of oats going to get up to the same amount as the wheat producer if he does not deliver a great deal more than six bushels per acre?

Hon. Mr. CHURCHILL: Well, there again the advance would be half of what might be expected to be delivered during the course of the year, for a person who has oats on that quota. I have not figured out what that might come to in dollars and cents, but it does not differ from the position of the grower of oats at the present time. He would get half of what he would normally expect if he were able to make deliveries up to the limit of the quota.

The CHAIRMAN: If the limit of the quota is six bushels of oats per specified acre, and the payment on oats is 20 cents a bushel, on a simple calculation of that the grower of oats would get less than the wheat grower.

Hon. Mr. CHURCHILL: Just as he would in delivering oats for his initial payment. The holder of wheat will, I presume, be the one who will come forward. They will want to deliver wheat to pay off the cash advance.

Senator BEAUBIEN: That is the reason I asked my question: In my district most of the farmers have gone out of wheat growing to a very large extent, and have gone heavily into oats. I know farmers who have quantities of oats in their bins—not this year's crop, but last year's crop—and they have not been able to dispose of it. What I want to find out is whether they can participate in this scheme and get equal advantages with the wheat grower.

Hon. Mr. CHURCHILL: The cash advance scheme bears the same relation to the initial payment plan, depending on what the farmer delivers, whether it is wheat, oats or barley—they all get the same treatment.

Senator BEAUBIEN: Would a difference of 20 cents and 50 cents a bushel offset that?

Hon. Mr. CHURCHILL: 20 cents is approximately half the amount he would get on initial payment for delivery of oats, so it depends on what the farmer delivers what he will receive.

The CHAIRMAN: This is not intended to equalize the dollars that he gets. This deals with the commodity.

Senator MACDONALD: With respect to the sale of wheat, Mr. Churchill, generally I think that either you or the Minister of Agriculture suggested in the house, and it also was suggested in our house, that you would like to sell during the current crop year about 300 million bushels of wheat.

Hon. Mr. CHURCHILL: That is the objective that has been set. I mentioned that amount on two or three occasions. Without being wildly optimistic about

it I think that the general consideration of the international trade in wheat indicated we should be able to dispose of 300 million bushels of wheat this year. There are some areas in the west where the crops have been good, but there are some where the crops have been a failure. At the same time, the pressure of American competition we think will not be as great as it was last year. The Americans were able to dispose of 547 million bushels of wheat last year, and the objective this year is 400 million, and that should leave the market more widely open for Canadian wheat.

Senator MACDONALD: Can you give any estimate of how much you might get per bushel for the wheat?

Hon. Mr. CHURCHILL: I would not be able to estimate that. The price has been remaining fairly stable, though.

Senator MACDONALD: What was the average price, approximately, last year?

Hon. Mr. CHURCHILL: \$1.60 to \$1.70 per bushel at Fort William. I put some figures on the House of Commons Hansard yesterday with regard to the prices of No. 2, No. 3 and No. 4 at Vancouver, the Lakehead and Churchill.

Senator MACDONALD: And I think you suggested also that there might be 150 million bushels consumed in Canada.

Hon. Mr. CHURCHILL: Yes, it is estimated that our internal consumption runs around that figure. It might go to 160 million bushels.

Senator HORNER: That figure does not include the amount that is fed to cattle, does it?

Hon. Mr. CHURCHILL: Milled into flour in Canada, seed and feed.

Senator HORNER: There might be another 100 million bushels fed?

Hon. Mr. CHURCHILL: I do not know, but estimating that 150 million bushels is consumed that way in Canada and 300 million bushels exported, a total of 450 million bushels, which will reduce our surplus carryover by about 100 million this year.

Senator MACDONALD: What is the price in Canada? About the same?

Hon. Mr. CHURCHILL: About.

Senator MACDONALD: Senator Horner asked the question as to whether the 150 million bushels domestic consumption includes the amount that might be fed in Canada.

The CHAIRMAN: There is some amount of feed in it.

Hon. Mr. CHURCHILL: Fifty million bushels go into flour for Canadian consumption. We work it out at about three bushels of wheat per capita to keep the population alive. The rest is for seed and for feed. Quite a bit is fed. It is very hard to estimate because you do not know how much is being fed on the farms, and it might run well over that figure.

Senator WALL: I understand that the purpose of the bill is to provide a cash return for farmers in the fall at a time when they need it, and I am wholeheartedly in sympathy with that. Now, we have the formula arrived at of six bushels to a specified acre. I would like to inquire what considerations were taken to arrive at that figure. Was there some method of assessing the needs and then arriving at \$150 million which would be or could be needed by the farmers, and therefore we then worked out some sort of a formula which would bring that amount of money, or was there some other consideration through which that figure was arrived at, the figure that is presently in the bill of six bushels per specified acre?

Hon. Mr. CHURCHILL: The Wheat Board told us that is a quota that is anticipated the farmer will be able to deliver during this crop year, and we simply accepted that figure. If he is delayed in delivering, that necessitates



a cash advance in these fall months so that he will have some cash to carry on his business. But the Wheat Board gave us that quota figure.

Senator WALL: It was a marketing consideration?

Hon. Mr. CHURCHILL: It is related to market possibilities and the space that will become available in the elevators.

Senator CRERAR: Mr. Chairman, the minister himself may not know but perhaps Mr. Sharp, his deputy, may know the total amount that is now in the funds referred to in section 29-A of the Canada Wheat Board Act, that is the amount for unclaimed cheques.

Mr. SHARP: That is quite similar to the unclaimed funds that are available to the banks.

Senator CRERAR: How much is the fund?

Mr. SHARP: I have not the figures. All I can say in general is that it is several times the expected expenses. That is the general answer.

Senator MACDONALD: What section did you refer to?

The CHAIRMAN: Section 29-A of the Canada Wheat Board Act.

Senator POULIOT: Mr. Chairman, I would appreciate it very much if Mr. Churchill would be kind enough to tell us if the paid grain exports to foreign countries have been larger this year than in previous years.

Hon. Mr. CHURCHILL: Well, the season is not very far advanced. August, September, October—just three months in which to make a comparison. I have not the figures in front of me, but I do not think they vary a great deal from exports last year. You may have noticed a report made a little while ago that our shipments for August exceeded the shipments of the United States for the first time in about ten years, which was very encouraging. But the actual difference is not very great. I am sorry I have not the figures here in front of me.

Senator POULIOT: I appreciate, Mr. Chairman, what has been said by Mr. Churchill, but I wonder if his deputy could give us that information.

Hon. Mr. CHURCHILL: There is a decline of about 7 million or 8 million bushels in comparison with last year.

Senator POULIOT: Seven or eight million bushels more?

Hon. Mr. CHURCHILL: Less this year in comparison with last.

The CHAIRMAN: Any other questions? Are you ready now to consider the bill section by section?

Hon. SENATORS: Yes.

Sections 2 and 3 agreed to.

On section 4—Contents of applications.

Senator CRERAR: There are two points I wish to raise on section 4. Later in the bill there is a section which gives the Wheat Board a prior claim on an advance that may be made to the farmer under this bill. What I was going to suggest to the minister is, would it not be a good idea to include in section 4 another subsection which would constitute a declaration from the farmer that he had not already given a lien on the grain on which he was applying for an advance?

I mention that for this reason. As Hon. Mr. Churchill knows, there has been quite a congestion on the farms. Some districts had a pretty good crop and all available storage on the farm of a particular farmer is filled. He goes to the local lumber dealer and wants to buy, say, a thousand feet of lumber to put up new storage. The lumber dealer says, "Well, I will give you the lumber if you will give me a lien on the grain you are about to thresh"; and he gets that lien and he registers it. In that event I do not

know—for I am not a lawyer—whether that lien would have priority over any lien which the Wheat Board would claim under the advance it had given; and I suggest it would be an additional protection if there were added to this clause another subsection which would in effect constitute a declaration by the applicant that he had not already given any lien on the grain covered by his application. That is the first point.

The CHAIRMAN: Well, if he has done that and he does not make any disclosure he is committing a fraud on the board, is he not?

Senator CRERAR: Where do you get that?

The CHAIRMAN: He is selling something he has not got a complete interest in.

Senator CRERAR: That is under the general law?

The CHAIRMAN: It has to be under the general law.

Senator HORNER: I would expect that would be in the form the farmer signed.

Senator CRERAR: I am not clear about it. I am not a lawyer. I would like to ask the chairman under what law would he be liable.

The CHAIRMAN: That would be under the general law; but I would think that under section 21, which provides for the making of regulations, there would be a regulation prescribing forms, and that these forms would contain this provision.

Senator CRERAR: Well, why put subclauses (a) to (g) in section 4? Why not do all those things under regulations?

The CHAIRMAN: It is a general statement. The forms will be prescribed by regulation.

Senator CRERAR: I know, but I think that this is even more important. There is another question, which I have raised before. The application shall be verified by affidavit. There is no suggestion before whom the affidavit may be taken. In legislation of a similar kind it is usually declared that an affidavit may be taken before a justice of the peace or a stipendiary magistrate, or sometimes a mounted police officer.

The CHAIRMAN: Or a commissioner for taking oaths.

Senator CRERAR: Or a commissioner for taking oaths. Is there any limitation? Obviously the affidavit would have to be taken before someone who was qualified to administer it. Would it simplify matters if that were clarified a bit?

Hon. Mr. CHURCHILL: We did not think it was necessary to specifically mention before whom the affidavit might be taken; and, as has been pointed out to me now, quite a number of elevator agents have appointments as commissioners for the taking of oaths. So it may be much more simple than, perhaps, appears at the moment.

Senator CRERAR: It would be quite simple, of course, if the elevator agent were a commissioner.

Section 4 agreed to.

Sections 5 to 17 agreed to.

On section 18—Loans under Prairie.

Grain Producers Interim Financing Act, etc.

Senator DAVIES: I am not going to propose an amendment, but it seems to me that some of these wheat farmers, when they get an advance, might have to pay the whole of it to the bank. It seems to me it would be easier and fairer to the farmer if the repayment under clause (1) to the bank were

limited to one-half of the loan instead of being extended to the whole amount. Some man might get an advance on his wheat and, when he has repaid his loan to the bank, have nothing left.

Senator HAIG: He does not have to pay the bank.

The CHAIRMAN: Yes, under this section.

Senator HAIG: If he has borrowed under the other scheme.

Senator ASELTINE: But he has already had the money.

Senator DAVIES: And he has probably expended it.

The CHAIRMAN: He has got to pay his debts some time.

Senator MACDONALD: But the money he owes is not in respect of this grain or this advance. This is new wheat. He got that money under a previous transaction. The proposal is that, as he borrowed money in respect of a loan under some previous delivery of wheat, he still owes the money and has to repay the bank when he brings in the wheat under this bill. I think that is what Senator Davies has in mind.

Senator DAVIES: I will not object to this section if it is satisfactory to the committee, but it looks as though in some instances the farmer will get a pretty tough deal.

Senator ASELTINE: He can't get the money twice.

Senator DAVIES: If he borrowed the money previously and owes the bank some money and gets a new advance—

Senator ASELTINE: It is only if he owes the bank under the Prairie Grain Producers Interim Financing Act.

Senator DAVIES: That is what I am talking about. If he paid the bank he would have nothing else.

Senator ASELTINE: But he has already had that money.

Senator HORNER: It was borrowed on last year's wheat and he has had sufficient quota, presumably, to pay it back.

Senator DAVIES: But suppose he has not paid it back and he gets an advance from this and he has a number of debts—

Senator HORNER: Well, you cannot put him in a position of getting more money than another farmer who has not borrowed at all.

Senator PRATT: You can't make it too easy for them to pay their bills.

The CHAIRMAN: Shall this section carry?

The section was agreed to.

Sections 19, 20, 21, 22, 23 and 24 were agreed to.

The CHAIRMAN: Shall the title carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall I report the bill without amendment?

Hon. SENATORS: Carried.

The CHAIRMAN: Honourable senators, this concludes our consideration of this bill.



1957-58 Second Session

# THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE ON

## BANKING AND COMMERCE

To whom was referred the Bill (237), intituled: "An Act to provide for the Stabilization of the Prices of Agricultural Commodities".

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The Honourable **SALTER A. HAYDEN**, Chairman

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WEDNESDAY, JANUARY 29, 1958.

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WITNESSES

DEPARTMENT OF AGRICULTURE

Dr. J. G. Taggart, Deputy Minister.

Dr. A. E. Richards, Principal Economist, Economics Division.

Mr. A. H. Turner, Vice Chairman, Agricultural Prices Support Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1958

BANKING AND COMMERCE

The Honourable Salter Adrian Hayden, Chairman

The Honourable Senators

Aseltine	*Haig	Paterson
Baird	Hardy	Pouliot
Beaubien	Hawkins	Power
Bouffard	Hayden	Pratt
Burchill	Horner	Quinn
Campbell	Howard	Reid
Connolly ( <i>Ottawa West</i> )	Howden	Robertson
Crerar	Hugessen	Roebuck
Croll	Isnor	Taylor ( <i>Norfolk</i> )
Davies	Kinley	Turgeon
Dessureault	Lambert	Vaillancourt
Emerson	Leonard	Vien
Euler	*Macdonald	White
Farquhar	MacKinnon	Wilson
Farris	McDonald	Wood
Gershaw	McKeen	Woodrow—53.
Golding	McLean	
Gouin	Monette	

\* *ex officio* member.

(Quorum 9)

## ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate for Tuesday, 28th January, 1958.

“A Message was brought from the House of Commons by their Clerk with a Bill (237), intituled: An Act to provide for the Stabilization of the Prices of Agricultural Commodities, to which they desire the concurrence of the Senate.

The Bill was read the first time.

The Honourable Senator Pearson moved, seconded by the Honourable Senator Brunt, that the Bill be now read the second time.

After debate, and—

The question being put on the motion, it was—  
Resolved in the affirmative, on division.

The Bill was then read the second time, on division.

The Honourable Senator Pearson moved, seconded by the Honourable Senator Brunt, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—  
Resolved in the affirmative.”

J. F. MacNEIL,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

WEDNESDAY, January 28, 1958.

Pursuant to adjournment and notice the Standing Committee on Banking and Commerce met this day at 10.30 A.M.

*Present:* The Honourable Senators Hayden, Chairman; Aseltine, Baird, Beaubien, Crerar, Croll, Davies, Dessureault, Euler, Farris, Golding, Gouin, Haig, Hawkins, Horner, Howard, Isnor, Kinley, Macdonald, McDonald, McLean, Pouliot, Power, Reid, Roebuck, Turgeon and Vien—27.

*In attendance:* Mr. Russell Hopkins, Law Clerk and Parliamentary Counsel, and the Official Reporters of the Senate.

Bill 237, An Act to provide for the Stabilization of the Prices of Agricultural Commodities, was read and considered clause by clause.

The following officials from the Department of Agriculture were heard in explanation of the Bill:—

Dr. J. G. Taggart, Deputy Minister.

Dr. A. E. Richards, Principal Economist, Economics Division.

Mr. A. H. Turner, Vice Chairman, Agricultural Prices Support Board.

It was RESOLVED to report the Bill without any amendment.

On Motion of the Honourable Senator Horner it was—RESOLVED to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

At 12.30 P.M. the Committee adjourned to the call of the Chairman.

Attest.

JAMES D. MacDONALD,  
*Clerk of the Committee.*



**THE SENATE**  
**STANDING COMMITTEE ON BANKING AND COMMERCE**

**EVIDENCE**

OTTAWA, Wednesday, January 29, 1958

The Standing Committee on Banking and Commerce, to whom was referred Bill 237, an Act to provide for the Stabilization of the Prices of Agricultural Commodities, met this day at 10.30 a.m.

Senator Salter A. Hayden in the Chair.

The CHAIRMAN: It now being 10.30 I will call the meeting to order. We have before us Bill 237, an Act to provide for the Stabilization of the Prices of Agricultural Commodities. As our witnesses this morning we have Dr. J. G. Taggart, Deputy Minister of Agriculture, and two Economists from the Department, Mr. A. H. Turner and Dr. A. E. Richards. Shall we follow the usual procedure of having the Deputy Minister give us in a general outline the scope and purposes of the bill?

Hon. SENATORS: Agreed.

Dr. J. G. TAGGART, *Deputy Minister of Agriculture*: Mr. Chairman and honourable senators, I assume that, this bill having been given second reading by the Senate, you will be interested in the details rather than the broad principles of the bill. However, as the Chairman has suggested, perhaps you wish me to say something on the general question of principle.

First of all, in principle the bill provides what are called mandatory support levels for nine key commodities which are named in the bill. That mandatory level is 80 per cent of the average prices of the nine commodities for the ten preceding years.

Senator ROEBUCK: Are those the prices of the locality or the average price for Canada?

Dr. TAGGART: That point, sir, has not been determined. This is a statement of principle, and the determination of the exact base price both as to grade or kind of commodity, the base in point, or the price in point, and so on, would have to be worked out by the advisory committee and the board that would administer the act. I am sure you will recognize that prices of the same commodities vary from point to point in the country depending upon their distance from central markets and whether they depend mainly on export or domestic markets, and so on, and therefore the exact procedure for determining in detail the base prices still has to be worked out by the administrative authority when it is appointed.

Senator CRERAR: Regardless of what is in section 8? Section 8(2) of the bill reads:

The base price of an agricultural commodity shall be the average price at representative markets as determined by the board for the ten years immediately preceding the year in which the base price is established.

The CHAIRMAN: Section 7(2) of the bill, at the top of page 4, reads:

Action by the Board to stabilize the price of an agricultural commodity under this Act shall be taken in relation to the agricultural

commodity or in relation to such grade, quality, variety, class, type or form thereof, and with reference to such place or places, as the Board considers appropriate.

Senator BRUNT: That is the prescribed price that that refers to.

Senator CRERAR: Is there a conflict between that section and section 8(2)?

The CHAIRMAN: No.

Senator BRUNT: One says prescribed price and the other is the base price. Section 7(2) refers to the prescribed price whereas section 8 relates solely to the base price.

The CHAIRMAN: Oh, yes, but there must be a relationship between the two.

Senator BRUNT: But you have to get the base price first.

The CHAIRMAN: Quite true but you would not take a price for all of Canada and determine your base price and then apply it in a particular locality where the problem is acute, surely.

Dr. TAGGART: The base price would still have to be established for a particular commodity by the Board. Even the 80 per cent must be finally calculated to a definite figure. So that it still remains true that in determining exactly what that base price is for a particular commodity the Board will have to assemble all the relative evidence and then recommend to the Governor in Council or to the Minister exactly what that price level should be. Moreover, the nine commodities which are named in the act may be supported at a level higher than the 80 per cent level.

Senator EULER: There is no limit there?

Dr. TAGGART: No. There is a lower limit but no upper limit.

The CHAIRMAN: A floor but no ceiling.

Dr. TAGGART: In the law; that is correct.

Senator McDONALD: Why is 80 per cent shown as the minimum? Why is it not 90 or 95 per cent? We know the farmers have not been making much money. In fact, they have been complaining for years that their income has been dwindling. Why could it not have been 90 per cent as the minimum price?

Senator EULER: Why not a hundred per cent? You may as well go the whole way.

Dr. TAGGART: The minimum price, you understand, is based on the 10-year average price for that commodity as determined by the Board. One important purpose of that provision is to prevent a sudden drop in the prices of the nine named commodities. The 10-year average being used as a base, and 80 per cent being used as the means of calculating the exact figure, provides a stability to a considerable degree.

Senator McDONALD: But you don't know yourself why the 80 per cent was chosen rather than, say, 90 per cent?

Dr. TAGGART: It was a matter of judgment as to the level at which it would be advisable and desirable to guarantee minimum prices for this group of commodities. The commodities were, of course, chosen with a view to, first of all, influencing the price of a substantial fraction of the total agriculture production.

Senator McDONALD: It is true that farmers have not been getting too much for their primary products, as we all know, but if you could have put this minimum higher it would not have sounded so bad to the average farmer, who will say that in Ottawa they have allowed us a stabilization price of 80 per cent; whereas if it had been 95 per cent it would not have sounded so bad.

Dr. TAGGART: I think it was understood that this 80 per cent is a minimum guarantee under the law, and not a maximum, and that any of these commodities are still subject to support at higher levels.

Senator PEARSON: Is it not true that beside the base price you have a guaranteed price each year?

Dr. TAGGART: Going into the other aspect of the act, any commodity, with certain exceptions mentioned in the bill.

Senator EULER: Is not the base price the minimum guaranteed price?

Dr. TAGGART: It is the particular price for the commodity named.

Senator EULER: They guarantee that, do they not?

The CHAIRMAN: Let us get this clear, before we proceed further. As I understand it, the base price is the average of the previous ten years. The prescribed price which is guaranteed as a floor would be 80 per cent of that in relation to these nine commodities, so the language is not a guaranteed price, it is a prescribed price in the statute, at which the Government may buy or sell.

Senator EULER: Well, it that not a guarantee?

Senator KINLEY: The statute guarantees that price.

Senator CRERAR: For the designated commodities the Government may fix a price.

The CHAIRMAN: Yes, but we are only talking about the nine commodities.

Dr. TAGGART: Well, I think we have covered the point I have in mind, mainly, that there are the two phases to the action, one, what might be called mandatory within the law, and the other discretionary with the Governor in Council, meaning that on the recommendation of the Board the Governor in Council may actually establish a floor or minimum price at whatever level seemed expedient in the circumstances, and that provision applies equally to the nine commodities and to any other commodities that are subject to the provisions of the law. The other features of the act are, of course, those which provide for routine: the establishment of a board, and of an advisory committee. Those are prescribed in some detail. The composition and sources from which the advisory committee will be drawn, namely, farmers and farm organizations, are all set out in some detail.

The methods of operation that are open to the board and the Governor in Council are first: To buy the commodity outright at a price that may be fixed at a particular market or a number of markets. In that case, the grade, the kind, the specifications, the point of delivery, and the conditions surrounding delivery, of course, will have to be set out. Another method is to pay what is popularly called a "deficiency payment"; that is, the market would operate and the producer would get whatever price the market brought, and if that price on the average was lower than a prescribed price, then the difference between the average and the prescribed price would be paid to the producer after the event, after the delivery, and the average price had been established. The third method open to the Government under this act is to pay a direct subsidy not based on the general average or a prescribed price, but a flat subsidy in addition to whatever amount is provided by the market. Those are the three methods that are available for operation.

Senator ISNOR: In connection with that last method, Dr. Taggart, they say that the closer you are to your market the lower your overhead and the bigger the demand, so I suppose in central Canada those in the immediate vicinity of the big market would enjoy a preference under this bill?

Dr. TAGGART: They might or might not, sir, depending on the procedure adopted.

Senator ISNOR: That is what I want to know.

Dr. TAGGART: If it appeared expedient to do so, it would be possible for the Government to give a flat price for the same commodity anywhere in the country.

Senator ISNOR: I looked up the definition for "base price", because it struck me—and the senator from Churchill covered the principal points of the bill—that we in the Maritimes would be at a disadvantage, particularly in trying to sell and selling in the central market.

Dr. TAGGART: In establishing the base price, of course the ten-year history would be taken as a means of establishing that base; therefore, whatever has prevailed during the past ten years would be an influence in determining the base price for a particular year.

Senator ISNOR: But where would that be determined, in the central market?

Dr. TAGGART: Dealing with your point about the central market, as Montreal, for example, versus markets farther away from it: Normally it is true that prices are higher in the central market than they are in a remote market, because of the cost involved in getting the product to the central market.

In the case of the Maritimes, the price of potatoes, for example, is lower in Charlottetown than it is in Montreal or Toronto, because the central points are the main markets that absorb potatoes. The price at Charlottetown is the price at Toronto less the cost of getting the potatoes there.

In the case of butter, for example, the price is usually higher in the Maritimes than in Montreal, because the Maritimes is a deficiency area for butter, and it is shipped into those areas rather than shipped out of them. Consequently, there is no one rule that applies; it depends upon the commodity, the volume available for sale, and the point at which it must ultimately be sold.

Senator HORNER: In answer to Senator Isnor's question, I may say that under the present act the price of pork, for instance, in western Canada was set at 4 cents below the price at Toronto or Montreal, and the price of cream was 5 cents lower than in those areas. The explanation was because we were some distance from the central market.

Dr. TAGGART: Yes.

Senator HORNER: Senator McDonald spoke of the 80 per cent: If you took hogs, for instance, and placed that at 100 per cent, it might be embarrassing to the Government, as it was some little while ago when there was a large amount of pork on hand. Such rugged individuals as Senator Crerar would want to keep the Government out of business; he would hope that the Government would have as little buying and selling to do as possible.

The CHAIRMAN: Gentlemen, shall Dr. Taggart continue?

Senator FARRIS: I think we ought to define "rugged individual".

The CHAIRMAN: I think Senator Horner might qualify too.

Dr. TAGGART: There is one other aspect of the provisions with respect to the operation or procedures of the board which I think will be of interest, namely, that the bill provides a revolving fund of \$250 million upon which the board may draw for its operations. For example, under this legislation the board might have locked up at one time in any one fiscal year commodities to as high a value as \$250 million; but, as the commodities are sold or turned over, the money reverts to the fund, and the fund would be balanced at the end of each fiscal year. If there was an overage, which would seem improbable

in view of the purpose of the legislation, that overage would go to the treasury; if there is a shortage, presumably Parliament in its wisdom would make good that shortage and restore the fund to its original level.

Senator BEAUBIEN: What was the revolving fund in the old act?

Dr. TAGGART: The old act provided \$200 million.

Senator POULIOT: Mr. Chairman, would it be possible to know what is the average difference between the price paid to the producer and the price paid by the consumer, for each one of these products?

In other words what is the average profit of the middleman, or the middlemen, on each one of these products.

As I want you to understand the question, Dr. Taggart, I will explain a little further.

This bill is supposed to come to the rescue of the farmers and the producers, and as consumers we have to pay so much for each one of these commodities. I would like to know what is the margin between the price paid to the producer and the price paid by the consumer for each one of these products, roughly—the spread.

Dr. TAGGART: Mr. Chairman, that question is now the subject of inquiry by a Royal Commission but, if I may, I could just indicate this much that first of all that particular question is not dealt with in this bill. This bill is designed to provide a means of stabilizing prices to the farmer and necessarily, therefore, it is confined to that aspect of the trade. But, if I may, I could add this, that in our department we have accumulated some information on the question and that information will be submitted to the Royal Commission. We know as a matter of fact that the spread between the producer and the consumer varies greatly depending on the nature of the commodity.

Senator POULIOT: Depending, too, on the number of middlemen.

Dr. TAGGART: Yes, I suppose that is an important factor for this reason: take, for example, wheat and bread. A loaf of bread in Ottawa delivered to your door costs 21 cents. The wheat that is included in that bread probably brings to the farmer about 3.5 cents. Bread, of course, is not made of wheat alone, there are many steps and many processes and many people at work between the producer and the ultimate consumer of that loaf.

On the other hand, in the case of butter, if the consumer pays 65 cents for a pound of butter wrapped and delivered in the grocery store, the farmer probably gets in the neighbourhood of 52 cents for the equivalent commodity.

Senator POULIOT: Any comparison of other commodities with bread can be accepted only with difficulty because in the case of bread wheat has to be manufactured into flour and the flour has to be baked into bread, which means two manufacturing operations. But if you take, for instance, dressed beef, or a leg of mutton, or chickens, or even eggs, they are sold as they are produced, without any manufacturing operation in between. As a matter of fact in the case of eggs the manufacturing operation is done by the hen.

Dr. TAGGART: That is the point I wanted to establish by using the commodities butter and wheat as examples; they illustrate that principle very clearly.

Senator POULIOT: In western Ontario there are farm co-operatives which sell farm products, I understand, and this system works very well. The farmers receive more and the consumers pay less. It is unfortunate that this system is not in force anywhere else. Is that the case Dr. Taggart, that in Ontario they have farmers co-operatives which sell farm products to the consumer directly without any intermediary and the price that is paid to the farmers is more and the price that is paid by the consumers is less.

Dr. TAGGART: That is a matter of fact on which I would not like to express an opinion at the moment but it is subject to examination and determination.

Senator POULIOT: I am here without any power of attorney to represent the consumers.

Senator ROEBUCK: Dr. Taggart, while we are on that point, will you tell me is it the retail price, what the consumer pays in the aggregate, or the wholesale price, that is referred to in clause 8, where it says in paragraph 2, "the base price of an agricultural commodity shall be the average price at representative markets..." It would make a lot of difference in the case of eggs, for instance, whether it is the wholesale or the retail price.

Dr. TAGGART: The intention of this bill is to provide stability in the price received by the farmer, and that is what will be used in determining the base price.

Senator ROEBUCK: Some farmers may sell at retail a great deal of their eggs.

Dr. TAGGART: That is true; a farmer can sell at retail, but the record available to the board will be largely, may be entirely, the record of prices received by the farmer at a primary delivery point. That is to say, if a deal is made between a farmer and a consumer there is no public record of it and it is extremely difficult to determine what it is, so for that reason I should think as a matter of principle the base price would be established at the nearest point to the producer that it would be possible to take and still have accuracy.

Senator ROEBUCK: So it would be a wholesale price?

Dr. TAGGART: Well, it may be earlier than that. For example, livestock, cattle, may be delivered to the stockyards in Montreal, Toronto, Winnipeg: Then there are a series of prices beyond that, or there may be transactions where the record may not be very clear; but we have a very clear and accurate record of prices for cattle delivered at the central markets.

Senator ROEBUCK: Another question on that. You have been talking about "representative" prices, and I see in the explanatory note you talk about "guaranteed" prices. Is there any distinction between a representative price and a guaranteed price?

Dr. TAGGART: I am not sure of that detail. I think, if you don't mind, I will ask Mr. Turner.

Mr. TURNER: The "guaranteed" price mentioned in the explanatory note is the price that is set for the 12 months.

The CHAIRMAN: The prescribed price.

Mr. TURNER: The prescribed price or guaranteed price.

Senator ROEBUCK: There is not any distinction, then, in this discussion between "representative" price and "guaranteed" price?

Mr. TURNER: "Prescribed" price.

Senator ROEBUCK: "Prescribed" price, I mean, and "guaranteed" price.

The CHAIRMAN: Just before Senator Golding asked his question I was wondering whether your question was addressed to the fact that there does not appear to be anything in the bill which describes what prices you take: I mean, at what level. It just says "representative markets" and it does not indicate what is the level of price you take from which you establish the price.

Senator GOLDING: That is what I asked—whether they are going to have a wholesale or a retail price in order to fix the base price.

The CHAIRMAN: There is nothing in the statute that would force you to take the price that the producer receives.

Senator MACDONALD: It is the base price which is established in subsection 2 of section 8.



The CHAIRMAN: But it talks of "representative markets". Is it at the level that the producer gets, or a higher level? I am talking about the bill, and the bill says you take the average price at the representative markets. What are "representative markets"? Are they the prices that the producer receives in the area, or some higher level?

Dr. TAGGART: As I mentioned in reply to Senator Roebuck, the prices on representative markets must be identifiable, and they must be as far as possible sound and accurate. It is for that reason that the provision is made for the board to determine exactly at what markets and what grade and kind and point of delivery, and all the rest of it. If we attempted to specify that in the bill I think it would be impossible to actually define, in the law, a scale to set prices.

The CHAIRMAN: Is not the level the level of the producer or the farmer? Is not that the person they are trying to help?

Dr. TAGGART: Yes.

The CHAIRMAN: Well, that would not be hard to settle, would it?

Senator KINLEY: Has export trade any aspect in this?

Dr. TAGGART: The board would have authority to export any commodities that it owned, but the section does not deal with international trade.

Senator KINLEY: Would not the export price with the big trades, anyway be the test?

Dr. TAGGART: Well, normally the export price and the domestic price are the same; I mean, at the particular point.

Senator KINLEY: Under this bill you can make the Canadian price higher than the export price.

Dr. TAGGART: As far as the law goes, yes.

Senator KINLEY: And it has been done before.

Senator CRERAR: Let us take the case of a steer. The board will find out what the average price of a thousand pound steer has been in "representative markets". Now, what are representative markets? Winnipeg? Toronto?

Senator HORNER: Saskatoon.

Senator CRERAR: They will collect that information and they will say, "Here, over a 10-year period this is the average price in these representative markets", and that constitutes the base price. Then the next step is, the farmer who is selling steers anywhere in Canada will be guaranteed 80 per cent of that base price. As I understand it, that is the way it works out. If the price of livestock drops below 80 per cent of the base price, then the board, under another section, has to take it over, process it, market it, store it or do anything else it can with it. That is the method of operation on that illustration, and it applies the same to all other commodities.

Senator GOLDING: Dr. Taggart, could you tell us what the average price has been for cattle over the last 10 years?

Dr. TAGGART: I cannot give you that information offhand but it certainly is available. We have our market reports at Toronto for a period covering more than 10 years. There is a question that must be faced in that. Senator Crerar expressed quite clearly the intended procedure, but it still remains true that a thousand pound steer may be a good one or a poor one and accordingly the price of a thousand pound steer is not always the same. In addition it will be necessary to identify the grade or quality of the steer in order to establish the price.

Senator GOLDING: You have various grades, and so on, in marketing. I am wondering if you had that information on any one product?

Dr. TAGGART: I am sorry but I have not that information on hand.

Senator WALL: Senator Golding, I have a statement from the Canadian Federation of Agriculture dealing with that problem. They estimate that a good grade steer on the Toronto market, guaranteed at 80 per cent, would be 17.44 cents per pound.

Dr. TAGGART: Mr. Chairman, the Federation has made that calculation. It may be right but I would not like to undertake to say it is right or that that will be the decision of the board when this act goes into operation.

Senator GOLDING: Is that on the present price or the 10-year period?

Dr. TAGGART: As I understand it, the Federation price is 80 per cent of the 10-year average.

The CHAIRMAN: What is the present price, as a matter of fact?

Senator BRUNT: 20½ cents, 21 cents.

Dr. TAGGART: There are many complications when you go into this question. For example, if it became necessary to support the price of cattle there would have to be a decision made as to whether all grades, kinds and classes would be supported or only the representative or the top grades. That question must always be dealt with in a commodity where there is a great variety of quality from top to bottom.

Senator MACDONALD: Has there been a price fixed on the different grades of eggs?

Dr. TAGGART: Mainly the price has been on Grade A large eggs. There have been times when Grade B eggs have been included, but the general practice has been to limit support to the top grades or to the typical grades that represent the bulk of commodities.

Senator MACDONALD: I think I read in the press that at the present meeting of the Federation a suggestion was made that prices for only Grade A eggs should be fixed.

Mr. TURNER: That is the situation at the present moment.

The CHAIRMAN: I understand that Dr. Taggart is ready to answer questions.

Senator ROEBUCK: Dr. Taggart, would you give us a summary of the difference between this act and the one that preceded it?

Dr. TAGGART: I think I have mentioned the main differences without perhaps identifying them as differences. The mandatory provision providing a base price and 80 per cent of the base price as a minimum is probably the most outstanding difference between this act and the other one. The addition of \$50 million in the operating fund is another difference.

Senator FARRIS: Would you tell us just what the object or the purpose of the original act was as distinct from this one?

Dr. TAGGART: Broadly speaking, I should say that the purpose of both acts is the same in the main general terms, namely, to stabilize prices that the farmers receive for their products. In the original Agricultural Prices Support Act I think it is fair to say that emphasis was placed on the maintenance of a minimum price. In the bill before you I would say that more emphasis is placed on what is called stability of prices and not so much emphasis on the minimum level to be maintained.

Senator EULER: Will the present bill tend to stabilize prices more than the old act would?

Dr. TAGGART: That is a difficult thing to forecast accurately and I suppose it depends on what is done under the act more than on the act itself. That is necessarily true in a process of this sort but, having regard to the differences I have just mentioned, namely, the 80 per cent mandatory provision. I think it is fair to say the present bill emphasizes stability more than the old act does.

Senator KINLEY: There is a change in the designated commodity, isn't there? "Designated commodity" is a rather vague thing.

The CHAIRMAN: Senator, could I point out to you what the other statute said and you will see the difference right away. In the Agricultural Prices Support Act "agricultural product" is defined as follows:

"agricultural product" means any natural product of agriculture except wheat, designated by the Governor in Council, and includes processed meat, dairy and poultry products if so designated;

So that in the area of agricultural products the definition certainly is as broad as possible in the old act, but when you deal with processed foods it is broader in the bill before us than it is in the statute because in designated products under the old act you have a limited field of meat, dairy and poultry products, whereas under this bill you can have any product of an agricultural commodity.

Senator MACDONALD: This act definitely includes wheat whereas the other act did not.

Senator CROLL: Dr. Taggart, you said that this act emphasizes stabilization whereas the original act emphasized minimum prices. The formula for fixing the stabilized price is 80 per cent of the average of the last 10 years. What was the formula used in the other act?

Dr. TAGGART: There wasn't any formula in the Agricultural Prices Support Act.

Senator McDONALD: There was no minimum.

Dr. TAGGART: There was no formula prescribed in the act. From time to time the board would prescribe prices for commodities, and there would be an order approving the level of prices at which those commodities would be supported by the board.

Senator CROLL: Yes, but in order to reach those conclusions there were certain administrative processes which you went through. What were those as compared to what is set out in this bill?

Dr. TAGGART: They would be broadly the same criteria as in this act and in the preamble, and so on. The criteria are named more specifically than in the previous act, but the same broad criteria would be used in arriving at a judgment so far as the board is concerned, as to what would apply.

Senator BARBOUR: It would depend primarily on the need of the certain product, would it not?

The CHAIRMAN: On that one point, before you put your question, Senator Croll, may I point that provision in the present act, not in the bill, under the powers of the bill is that:

" . . . the Board shall, subject to and in accordance with regulations made by the Governor in Council, have authority

(a) to prescribe from time to time, with the approval of the Governor in Council, prices at which the Board may purchase agricultural prices in the market".

Now, in a broad way, except for the 80 per cent feature—and mentioning that you go back to an average in the last ten years—the authority is exactly the same, and you arrive at a prescribed price and use the same criteria.

Senator CROLL: Mr. Chairman, the last words you used are the important ones, that is, "use exactly the same criteria."

The CHAIRMAN: Yes—only they have put a little more detail into the provision of the statute.

Senator EULER: Am I right in assuming that under both acts there was a base product; there was a floor, I will put it that way?

Dr. TAGGART: Under the existing act, no floor was prescribed.

Senator EULER: All right, I will take that as an answer. Was there a ceiling under the old act?

Dr. TAGGART: No.

Senator EULER: In that respect they are the same?

Dr. TAGGART: They are the same in that respect.

Senator EULER: That is, the Governor in Council can put any price they like above the base price?

Dr. TAGGART: Under the old act the Governor in Council could authorize the board to support a particular commodity at a particular price.

Senator EULER: As high as they liked?

Dr. TAGGART: But the Government had no authority under this act to put on any maximum price.

Senator EULER: No, but there is no limit to what the Governor in Council can do, there is no limit imposed on the Governor in Council as to what price they might want to put it above 80 per cent?

Dr. TAGGART: I think that is quite true, yes.

Senator POULIOT: Mr. Chairman, referring to what you have just said: In the act the commodities are designated in general terms, and in the bill the same commodities are designated in specific terms. Is that it?

The CHAIRMAN: Partly.

Senator POULIOT: Because dressed meat may include beef, and sheep and lamb, etc., and if you use the words "dressed meat" it may apply to beef and lamb and sheep, etc; is that it?

The CHAIRMAN: Yes, except that in the bill before us the processed commodity covers a broader field than in the present act. For instance, in my concept of it, under the present bill there could be action by this new board in relation to canned tomatoes as a food product.

Senator POULIOT: What about rice? We don't grow rice here as a commodity. What about tea, what about coffee?

Senator PEARSON: That has nothing to do with our producer.

The CHAIRMAN: The act is limited to agricultural products produced in Canada.

Senator REID: Mr. Chairman would you care to express an opinion whether, if this act becomes law, it will encourage farmers to grow or produce certain agricultural products? Would it induce them to grow more? And I am thinking particularly of eggs. I have a feeling that it might encourage the poultrymen not to sell them, because there was a time when you could not sell eggs in British Columbia. I am wondering if you will express an opinion as to whether the sale of other products as well as eggs would be encouraged?

Dr. TAGGART: Well, this question has been discussed frequently with farm organizations when they were making representations to the board and to the Government. I think the farm organizations have tended to take the view that a floor or support price, whatever you call it, should not be an incentive price, as they call it; that is to say, that a price should not be an incentive to produce. Others have expressed this view, that any guaranteed price is to some degree an incentive. Even 15 cents a dozen as a guaranteed minimum for the price of eggs, while certainly not an incentive, at least gives the producer some guarantee against giving eggs away, and to that degree he has some guarantee that he would not have without any support; so that theoretically it seems to me that any level of support we can imagine being acceptable to a government would to some degree be an incentive.

Senator KINLEY: It might be presumed to be the right price that people should pay, and in that way be a disadvantage.

Dr. TAGGART: But, on the other hand, assuming that the average cost of production, if you can indentify that animal, for a particular product is a dollar a unit, then if the minimum price is 90 per cent the tendency over a time would be for production to fall off, undoubtedly. The converse would be true if you had the guaranteed price at \$1.10 against a commodity that cost a dollar, the tendency would be probably for the volume to increase. But far from being a simple question, it is a very difficult one to look into the future and see what would happen.

Senator REID: Another question I wish to ask, what was the thought behind putting processed products of agriculture in this bill?

Dr. TAGGART: There is a good reason for that, sir. As I said earlier, the intention of the act, and this was true of the Agricultural Prices Support Act, too, was to provide support prices, or stabilized prices, to the farmer. For administrative and operational reasons, sometimes it is not possible to deal with the commodity as the farmer sells it, and the only practical way is to deal with the secondary product. Tomatoes is a good illustration.

The CHAIRMAN: How would that interfere with the operations of these provincial marketing boards? They set prices of tomatoes in the province at which the manufacturer processor must pay for the tomatoes, and actually the grower must pay that price, too.

Dr. TAGGART: In that case, and it is probably a good one for illustration because it is not very likely one in which the board would become involved, but presuming the tomatoes are sold to the canner under a provincial marketing statute providing a price to the grower and that the product was beyond the capacity of the industry to process, and sell, theoretically it would be possible for the Government to authorize the board under this new act to apply it to canned tomatoes and thereby maintain the ability of the canner to take delivery from the farmer at the agreed price. A farmer would be the indirect beneficiary of the act.

Mr. TURNER: The sugar beet industry offers a good illustration. In Ontario the guaranteed minimum price of the board is \$12, but the Government is offering to make it up to \$13, if the prices do not come to that level, so I do not think there is any direct relationship between the price the board has guaranteed and the offer made by the Government. Now, if the growers get from the company \$13 or \$14, the Government pays nothing in this particular instance. That is the way it works.

The CHAIRMAN: Those contracts of course have a minimum price, and they also have the added factor based on sucrose content?

Mr. TURNER: That is right.

Senator CROLL: Dr. Taggart, is it fair to say, forgetting the administrative details, that broadly speaking the difference between this bill and the old act is one of emphasis?

Dr. TAGGART: A difference of emphasis and method—both are involved.

Senator BEAUBIEN: Mr. Chairman, under this proposed legislation the Governor in Council takes recommendations from the board in order to bring a commodity under stabilization?

Dr. TAGGART: Yes.

Senator BEAUBIEN: By this bill the board takes a ten-year average of any commodity, and recommends to the Government what should be done. We did not have that ten-year average in the old act.

Dr. TAGGART: The ten-year average base price applies to nine named commodities, and it provides the mandatory minimum level the board must maintain.

Senator BEAUBIEN: For those specified commodities?

Dr. TAGGART: Yes; but any of those commodities might be supported at a higher level, if it appeared expedient to do so.

Senator MACDONALD: Dr. Taggart, when this bill was first introduced in the other house, if I remember correctly the period was three years, not ten years.

Dr. TAGGART: That is right.

Senator MACDONALD: Why was the change made to ten years? You may not want to answer that question since the change was made in the House of Commons.

Senator MCDONALD: He can answer it.

Senator MACDONALD: You may be prepared to answer it. Why was the period changed from three years to ten years?

Dr. TAGGART: The difference between the two periods would be this, Senator Macdonald: Using the ten-year base, the decline in price that would be possible under the act would take place more slowly; a three-year average would make it possible for the price to drop more quickly. You see, if 80 per cent of the base price must be maintained, there could be on the three-year average a drop of one-third in the level of the price, whereas there would be a drop of only one-tenth in the ten-year average. Therefore, there is a greater degree of stability involved in the ten-year average than in the three-year average.

Senator MACDONALD: It was changed in order to bring about a greater degree of stability of price?

Dr. TAGGART: That is the effect of it.

Senator FARRIS: Has any attempt been made to figure out what this legislation is going to cost the country?

Senator ROEBUCK: I was about to ask this question: I would like to have Dr. Taggart tell us what action has taken place under the old act, how much it cost the country, and what statistics if any there are; then he can go on to answer Senator Farris' question as to what is projected for the coming act, based on the experience under the old act. Is that satisfactory, Senator Farris?

Dr. TAGGART: May I take the questions in that order?

The CHAIRMAN: Yes.

Dr. TAGGART: Mr. Turner has the information as to the cost under the existing act.

Mr. TURNER: Since 1946—

Senator ROEBUCK: That is when the act was passed?

Mr. TURNER: No, it was passed in 1944 but became operative in 1946. Since 1946—and we tabled an answer about this just before Christmas—up to the end of October, we had used the revolving fund to the extent of about \$600 million. Our losses as calculated up to March 31, 1957 were \$94 million-odd, and there is before the house at the moment an estimate for another \$5 million to take us up to March 31st this year. So, roughly speaking, it is \$100 million from 1946 to March 31, 1958.

Senator CRRERAR: Does that include administrative expenses?

Mr. TURNER: It does not include administrative expenses, which would run between \$50,000 and \$100,000 a year. That is roughly what it was, based on the administrative vote. The situation is that \$600 million was used to October 1957 and there will be something to be added to that figure to take

us up to March 31 next. The \$600 million brings us up to October 31 last. I am speaking in round figures. Up to approximately March 31, 1958 the losses have been \$100 million; of that amount about \$70 million involves losses related to the foot and mouth disease in 1952. There was a use of the fund of about \$200 million of the \$600 million in that particular period.

Senator KINLEY: In other words, it involves export trade?

Senator HORNER: And the amount paid out in connection with sheep would be in that sum?

Mr. TURNER: No, that is a separate account.

Dr. TAGGART: Mr. Chairman, may I clarify this point?

Senator FARRIS: My question has not been answered yet.

Dr. TAGGART: The \$70 million, that Mr. Turner referred to as being a cost under the price support fund, had to do solely with the purchase and disposal of livestock to maintain the price to the producer. It had nothing to do with the eradication of the disease itself. That was borne by another vote which regularly provides for the extermination of diseases and compensation for the animals and so on.

Senator MACDONALD: I do not understand that.

Dr. TAGGART: The cost of controlling the disease was charged to the vote under the Animal Contagious Diseases Act, whereas the cost of the economic consequences to the farmer was borne by the Price Support Board, to maintain the price of livestock during the time that our markets were lost due to embargoes against our product.

Senator KINLEY: That is a direct subsidy.

Dr. TAGGART: Not directly.

Senator KINLEY: Was that not a direct subsidy? The farmer did not get the normal profits out of his cattle that were diseased.

Dr. TAGGART: You see, when the foot and mouth disease broke out the first result, economically speaking, was an embargo against our livestock going into the United States and most other countries. The farmers had a large exportable supply of both pork and beef. The undertaking was that the farmer would be protected at a certain level of price for both hogs and cattle.

Senator ROEBUCK: Did you buy the hogs?

Dr. TAGGART: The product was bought, processed and sold.

Senator McDONALD: The cost under the old legislation from 1946 to October 31 last would be \$400 million, plus \$30 million.

Dr. TAGGART: Yes, \$400 million having been invested in the products turned over, with a net loss of \$30 million.

Mr. TURNER: I should say that the figure of \$200 million is actually somewhere between \$165 million and \$200 million.

Senator MACDONALD: With respect to Senator Roebuck's first question, do I understand that without taking into consideration the loss during the foot and mouth disease period, the losses under the operation of the board since 1946 would be \$31 million.

Mr. TURNER: Approximately \$30 million.

The CHAIRMAN: Senator Farris has not had his question answered yet.

Dr. TAGGART: Mr. Chairman, I feel much more sure of myself in trying to tell the committee what has happened, than in trying to tell them what will happen. If I may be allowed, I should like to pass, rather than attempt to forecast what losses may be taken. As a matter of fact, it seems to me that there are so many imponderables in the thing that one cannot guess. If the markets for the main agricultural products in this country remain stable or

rise, the loss will be very small; if, on the other hand, due to some catastrophe, prices decline sharply and stay down, the losses under the bill will be very heavy—losses to the treasury and the corresponding gains to the farmer.

Senator DAVIES: Do I understand that losses cannot exceed \$250 million?

Dr. TAGGART: No. The amount of money invested by the board in commodities in any one fiscal year may not exceed \$250 million.

Senator BARBOUR: Dr. Taggart, these commodities which the base price applies to at 80 per cent, is there any scarcity or shortage in any of them in any part of Canada at the present time?

Dr. TAGGART: It is hard to find agricultural products in this country in which there is any serious shortage. I doubt if there is any shortage in any of these nine commodities, but let us have a look.

The CHAIRMAN: If there was a shortage you would not need support, would you?

Dr. TAGGART: No. In answer to Senator Barbour's question, these commodities include cattle, hogs, sheep, butter, cheese, eggs, wheat, oats and barley.

I would say off hand, without looking back into the records, that the only commodity in that list in which there is a shortage in the sense that we do not produce enough to meet our own market demand, would be sheep and the products of sheep. We export cattle, we export hogs and hog products; we are roughly in a balanced position with respect to butter; cheese we export in small quantities, and we export eggs; wheat, oats and barley, we certainly export. So, sheep and sheep products would be the only commodity that might be regarded as in short supply.

Senator HORNER: We import sheep.

Dr. TAGGART: We import mutton and lamb.

Senator BARBOUR: This act is an incentive for farmers to work harder and produce more of the things in which there is no shortage at the present time.

Dr. TAGGART: Well, sir, I dealt with that question a little while ago and tried to point out that, according to some economic theorists, any support price is to a degree some incentive to produce; no matter how low it may be, it is still a guarantee of some sort to the farmer, and is worth more than no guarantee at all.

Senator CROLL: Dr. Taggart, what we are concerned with, forgetting the principle, is that over a period of ten years support prices for the vast majority of the farmers of Canada have cost us \$3 million a year approximately, which is about the price of three jet planes. Is that so?

The CHAIRMAN: Maybe one jet plane.

Senator CROLL: Well, maybe one jet plane—that is all we are concerned with in actual cost.

Dr. TAGGART: There are several angles to that. First of all, if the Agricultural Prices Support Act had not been available and if no other action had been taken I think the embargoes put up against our products as a result of the foot and mouth outbreak would have been disastrous to the farmers of our country, there is no doubt about that, and the losses taken by the farmers directly would have been very much greater than the losses taken by the Government. So it would have been a disastrous situation if price support legislation, whether the old or the new, had not been available to meet a similar problem. Now whether it is permissible to subtract that from the balance and say that is the actual cost, I do not know but you can do that if you wish.

Another factor that I think must be remembered in connection with this question of cost is this, that the Agricultural Prices Support Act is not the



only instrument of financial aid to the farmers. In one or two years in the past the Government experienced rather heavy losses on potatoes as a result of a marketing agreement, and the benefit of these losses went to the potato growers of the provinces mainly concerned. So it is not possible to assess exactly the cost of price support or price aid procedures by simply taking this one fraction of the price support cost.

Senator POULIOT: Mr. Chairman, I have been listening with great attention to the interesting questions put by my learned colleagues and to the able answers given by Dr. Taggart. Now, there is a question mark in my mind about the term "processed products of agriculture".

I have three questions to put to Dr. Taggart: in clause 2, paragraph 1, subparagraph (a) "agricultural commodity" means "any other natural or processed product of agriculture designated by the Governor in Council..." I understand that it does not apply to rice, tea and coffee because they are not produced in this country.

The CHAIRMAN: We were going to come to that point, Senator Pouliot. If you will read clause 2, paragraph (1), subparagraph (a) (i), it says that "agricultural commodity" is limited to Canada, but the processed articles are not limited to Canada.

Senator POULIOT: Yes, exactly. And now I would like to know if pulp wood is included in that, and the produce of sawmills, shingles and so forth. This is my first question.

My second question is whether hides, leather and boots are also included in processed products of agriculture.

Senator ROEBUCK: You mean political hides?

Senator POULIOT: No. Dry hides, leather and boots, that kind of hides.

And I would like to know if woollens, all sorts of woollens, cloth, etc., wool cloth and clothes are included in processed products.

If those commodities are not included I wonder if the bill should not be amended by adding the word "edible" before "product", making it read: "agricultural commodity means any other natural or processed edible product of agriculture."

The CHAIRMAN: You could say "processed food products."

Senator POULIOT: Yes, exactly. Because otherwise there will be confusion. Will you please answer, Dr. Taggart?

Dr. TAGGART: Mr. Chairman, I think probably the thing to do with that suggestion is to refer it to the law officers who drafted the bill. If it seems expedient to the committee to recommend that the word "edible" be included that would seem to be right. I would think probably from reading the bill that it may be susceptible to being stretched to cover leather and wool, but I do not think it would be the intention of the board to do so.

Senator PEARSON: Wouldn't you refer to paragraph (2) of clause 10 where it reads, "For the purpose of stabilizing the price of an agricultural commodity, the board may exercise all or any of its powers under this section in relation to any food product thereof...?"

The CHAIRMAN: But, Senator Pearson, what is there in clause 10 paragraph (2) that in any way cuts down the meaning of processed product of agriculture in clause 2? There is nothing. Section 10 paragraph (2) deals with only one kind of thing, it deals with a food product that is an agricultural commodity but they do not relate that back to the definition. The definition is broader and therefore it is the definition that controls.

Senator POULIOT: Clause 10 makes no reference to processed products.

The CHAIRMAN: Except that a food product may be a processed product.

Senator POULIOT: Therefore clause 2 should confine it to food products.

The CHAIRMAN: Yes.

Dr. TAGGART: This is a question of law but the purpose of that provision is to enable the board to operate in a practical way. That is to say, where there are commodities with respect to which it is impossible or impractical to operate solely on the product as delivered by the farmer and therefore authority is granted to the board to deal with the processed product. The definition may be unnecessarily broad, but I cannot express an opinion on it.

Senator WALL: I would like to come back to the intention of the bill, if I may. I do not want to press Dr. Taggart on the projected cost of this legislation.

In the preamble, which is not binding, there is a statement about stabilization of prices and I presume that stabilization is to be done through supports. The preamble says something about fair returns for labour and investment, and to maintain a fair relationship between prices received by farmers and the cost of the goods and services that they buy, thus to provide farmers with a fair share of the national income. The assumption, I gather, is that we begin with the premise that the farmers are not now getting a fair share of the national income. That would be the basic hypothesis. If that is so, then there must be significance in the fact that an extra \$50 million is being added to this fund, and that the projected costs of this legislation annually will exceed quite a lot the \$3 million a year that have been spent on the average out of the consolidated grant. I think probably there should be a Government spokesman to estimate for us what may be these projected costs.

I want to ask this question. Significantly, the oats and barley which were subject to the former Price Boards Act, where prices could be prescribed, are now being dropped, because of the extension of the Wheat Board responsibility for oats and barley. There is a problem of equity vis a vis the Western farmer, but there is going to be an effect of the minimum prices set by the Wheat Board upon the prescribed prices that will be probably set if they are needed on wheat, oats and barley produced in eastern Canada. Now there is a converse to that, and that is, if by this new legislation, some prescribed prices were in fact set for wheat, oats and barley produced by the farmers in eastern Canada, what would be the effect of that kind of action upon the minimum prices that may be set by the Wheat Board, which would be related to the export market and not to the costs of production to the farmer? Would you care to make a comment on that?

Dr. TAGGART: I can try it, but I would not like to be crimed too heavily for any comments that I make. First of all, assuming for the moment that the Wheat Board prices, the initial payment and the Wheat Board selling price both were below the price prescribed under this act, then it seems to me pretty obvious that the board operating under this act would get delivery of a good quantity of oats and barley. On the other hand, since the Wheat Board and Agricultural Prices Support Board, or the Stabilization Board, as they will be under the new act, are both responsible to one Government, I think it is a fair presumption that one Government would act as one Government, and would not set up a conflict between its left hand and its right.

Senator REID: May I ask one question with regard to processed products. I suppose it is intended to visualize a processing of natural products grown in Canada, but it is a common practice of some companies to take so much from the Canadian farmer and bring in considerable quantities of the same product from the other side to be processed here. There would seem to be no provision to limit the price provision to products of Canadian origin; section 2 simply states "any other natural or processed product of agriculture". We in British Columbia have business concerns who bring fruit purchased from across the

line as well as fruit bought from British Columbia farmers. Should not the Government decide to insist on requiring the product, to qualify under this bill, to be a product of Canada?

Dr. TAGGART: I should think that in that situation steps would be taken, when the decision was made to support a particular commodity in that way, to see that the board was operating on or in support of Canadian products only. That has been the policy under the present act, and I assume it would be under any act. Of course you have this kind of situation under any price support legislation that I can imagine. The Government may be supporting the price of a commodity direct to the grower. There would be no doubt whatever that it buys a Canadian product from Canadian producers. But it may be that the same or a very similar product is also coming in small quantities into the country through legitimate trade channels, and that commodity might be sold direct to many people; that is, a type of commodity produced by the Canadian farmer. The net result is the same. The Canadian Government is in effect supporting the price of both the imported and the domestic product. The United States has a very full experience with that situation, and it is inherent in any price support program which establishes a level of price in a country that is higher than the imported value of the same type of commodity. But as I said, under the existing act, and I am sure under any act of the same sort, an effort would be made to restrict direct subventions to products of Canadian origin.

Senator CRERAR: Dr. Taggart, what commodities were supported under the Agricultural Prices Support Act during the period of its operations?

Dr. TAGGART: I will ask Mr. Turner about that.

Mr. TURNER: Potatoes, apples, dried white beans, extracted honey, dry skimmed milk, Cheddar cheese, creamery butter, shell eggs, hogs and cattle.

The CHAIRMAN: Those are the ones which have been supported at one time or another.

Senator ROSS MACDONALD: Dr. Taggart differentiated the loss on the potatoes from the loss on other products under a former act. There has been support under the Agricultural Products Co-operative Marketing Act too.

Senator CRERAR: I had reference before to the Agricultural Prices Support Act. You have enumerated these products.

Dr. TAGGART: May I make that point clear for Senator Macdonald now. At least in one year potato prices were supported under the Agricultural Prices Support Act. In a different year they were supported under the Agricultural Products Co-operative Marketing Act.

Senator ROSS MACDONALD: Why one year under one act, and another year under another act?

Dr. TAGGART: It was thought at the time that the marketing provision would be more helpful than the support price. The Agricultural Products Co-operative Marketing Act is not intended to be a price support act, but it is the act under which co-operative organizations can finance, take delivery, pay advance payments, hold and sell the products, and finally settle with the grower on more or less of a pooling principle. Obviously in that type of operation there is some risk of loss. The ultimate price may not be as much as the initial payment; and under that act the operating organization, if it operates properly, can recover that loss from the Government if the realized price is not equal to the initial payment.

Senator FARRIS: Just one question which I interjected and which was passed over. I refer to the importation of commodities that may go into manufactured products, and that the price as fixed might be higher than even the imported price or the local price. Could that happen?

Dr. TAGGART: It could, of course, if a situation of that sort developed, and if the prices support program were threatened with a breakdown due to heavy imports, similar action would then have to be taken. It might be by tariff or imports controls or something else. But I cannot quite see a government in this country continuing to support prices of commodities the world round. So some action would have to be taken to have the price level adjusted to prevent undue imports.

Senator ROEBUCK: I would like to ask Dr. Taggart whether legislation somewhat similar to this has been enacted in the United States and what has been the experience with it?

Dr. TAGGART: I am not too familiar with every detail of the legislation in the United States but I can say it is much more rigid in its application than this bill could be. The basic element in the United States support legislation is what they call a parity formula. Parity is the relationship existing at a particular time between the prices of agricultural commodities and the cost of commodities that farmers buy. Their original parity period was 1909 to 1914 and then, subsequently, for particular commodities, there were other parity periods and other modifications of that formula but in all cases, so far as my knowledge goes, there was a fixed parity formula based on the cost of the things farmers buy as against the prices of the things they sell. If the index price of the things which the farmers buy went up, then automatically the support level went up. I think it was that element that created a good deal, if not all, of the difficulty the United States experienced.

Senator ROEBUCK: What has been their experience?

Senator BAIRD: Tremendous surpluses.

Senator ROEBUCK: Can you give us the amount of the surpluses and what has been the cost to the treasury?

Dr. TAGGART: The cost to the United States treasury?

Senator ROEBUCK: Yes.

Dr. TAGGART: I cannot give you the figures. They are so fabulous that I cannot give them to you offhand. Perhaps Dr. Richards has that information.

Dr. RICHARDS: I have a report that was given by the Secretary of Agriculture, which states that the cost in 1957 of their whole price support program was \$3.3 billion.

Senator CRERAR: That is for one year?

Dr. RICHARDS: Yes.

Senator ROEBUCK: What will it all total?

Dr. RICHARDS: The year before it was lower. It was \$1.9 billion. It has been very heavy. I know that the commodities held by the Commodity Credit Corporation in inventory amounted to something like \$8 billion.

Senator CRERAR: Would it be true to say that the cost to the American Treasury has been tending upward all the time?

Dr. RICHARDS: Yes, they have asked for increased appropriations each year over the last six or seven years. So I would say it has been tending upwards. You see, their support is related to supply, and if they move products out of the country and the supply goes down, then under their formula the level of the support goes up, and that encourages more production, and in that way the whole thing is just going around in a circle.

Senator ROEBUCK: Why would this not be the same here in Canada?

Dr. RICHARDS: This formula is based on market prices and it is not related to supply, although in setting the base price the question of supply will be taken into consideration. However, there is no automatic formula which says you must support at a fixed level as supply goes up or down.

Senator McDONALD: Dr. Richards, while you are speaking I wonder if we could straighten out a matter that occurred last night. I forget now who it was who was speaking but we were given the impression that farmers were receiving less and less of the consumer's dollar. A lot of that is due, is it not, to increased costs down the line, and quite a bit to the consumer's themselves in demanding that the products be packaged in a certain way? Have you anything to say on that?

Dr. RICHARDS: Dr. Taggart referred to this point in an earlier statement. He said that the Royal Commission on Price Spreads is looking into this whole question. I have no figures with me and I would not like to attempt to answer that question.

Senator McDONALD: I will take the chance of saying, Dr. Richards, that quite a large amount of this depreciation in the amount of money that the farmer is receiving of the consumer's dollar is due to the fact that the consumers themselves are demanding that these products be packaged in a certain way, and it costs money to do this sort of thing.

Dr. RICHARDS: I would say that our examination would support that statement.

The CHAIRMAN: Honourable senators, there is one question to which I would like to direct the attention of the committee. We have another statute that is in force at the present time, and I would like to get Dr. Taggart's view on it. There is the Agricultural Products Board, which seems to be in combination with the present Agricultural Prices Support Act. It has some of the features that now come under the bill before us with respect to a designated processed agricultural commodity. I was wondering what is going to happen to the Agricultural Products Board. It is still in force, is it not?

Dr. TAGGART: Yes.

The CHAIRMAN: Under the Agricultural Products Board Act an "agricultural product" is defined as meaning livestock and livestock products, poultry and poultry products, milk and milk products, vegetables and vegetable products, fruit and fruit products, honey, maple syrup, tobacco, fibre and fodder crops, and any product of agriculture designated by the Governor in Council as an agricultural product for the purposes of the act. A board is set up and the first few powers are to buy products which are to be sold by export to an agency of another country. That appears to be the primary purpose for which this board was set up.

There is another clause in section 4 of this act which authorizes this board, subject to the regulations, and with the authority of the Governor in Council and under the direction of the minister, to buy, sell or import agricultural products. The formula under which the present Agricultural Products Board operates may not be stated as specifically but it would appear to me there is going to be a conflict as between the authority that we are giving to this new board and the authority that presently exists in the Agricultural Products Board. I would like Dr. Taggart, if he will, to explain the differences, if there are any, and any conflict there may be.

Dr. TAGGART: Mr. Chairman, the board set up under the Agricultural Products Board Act may be regarded properly as a standby organization to do certain specific things if and when needed. For example, it was the board set up under this act which did the buying and selling of beef that we took from New Zealand in exchange for beef we shipped to the United Kingdom during the foot and mouth epidemic. The powers of the Prices Support Board did not extend beyond the boundaries of Canada and could not deal with imports and other products abroad, and the Agricultural Products Board did that job. On another occasion the Agricultural Products Board imported butter from Denmark, Holland and, I think, New Zealand,

and sold that product in Canada. I think I can best describe it in the original words I used, namely, that it is a standby organization to do a particular job in a particular situation if and when that need exists. It is not a continuously operating body.

The CHAIRMAN: You are talking about what takes place in practice, but what I am pointing out is something different, that is, the authority of the board which is in the statute, and therefore the law of the land at the present time is that it can buy, sell, or import agricultural products, and under the authority given you would then have two boards which would appear to enjoy the same authority.

Senator BRUNT: Operated by one government. The same government would not do one thing with its right hand and do the opposite with its left; that is inconceivable.

The CHAIRMAN: Well, if I may follow your suggestion to its conclusion, then we should not scrutinize legislation at all, because the same government is going to do the same thing, and if there is conflict in statutes, then let it go.

Senator MACDONALD: Can the board do that for the purposes of stabilizing prices of agricultural products?

The CHAIRMAN: They have the broad power to buy and sell any agricultural product.

Dr. TAGGART: Under the authority of the government.

Senator MACDONALD: Under the present act it is only done for the purpose of stabilizing prices.

The CHAIRMAN: Therefore the Agricultural Board would have a broader authority. What I am looking for at the moment is information.

Senator DAVIES: Is this Agricultural Products Board a permanent board that is sitting all the time?

The CHAIRMAN: It is in existence.

Dr. TAGGART: The members of the board are civil servants, employees of the department of agriculture, not paid any special salary or emolument for that job, but if the need arises the board can be directed by the Government to do certain buying and selling operations.

The CHAIRMAN: Are there any other questions from Dr. Taggart?

Senator McLEAN: Has the United States ever gone beyond parity prices; has it ever paid beyond parity prices? In this act there is no ceiling on it, I understand.

Dr. RICHARDS: The United States have a parity formula which is related to 100 per cent parity for a number of basic commodities. I think they have never gone over that 100 per cent, and after the war the effective level was set at 90 per cent of parity. I think only in tobacco did they go over 90 per cent.

Senator McLEAN: Under this act it could go to 150 per cent, I suppose?

Senator WALL: I do not know of whom to ask this question. I am just wondering whether the board as being set up under the statute has the authority adequate enough to handle the kind of job that the preamble implies. I am thinking of that particularly when looking at section 4 (5) which says:

The Board shall comply with any directions from time to time given to it by the Governor in Council or the minister . . .

Now, is this true of all other such boards, because by the look of it this particular board has no specific independent action under the legislation as the Parliament would ostensibly intend it to have, to interpret the intent directly.

The CHAIRMAN: Well, it is an administrative body and the authority that it gets it would appear to get from the Governor in Council.

Senator ROEBUCK: Oh, no. The Governor in Council may give them direction with regard to the performance of its powers and functions under this act.

The CHAIRMAN: But may I point out that when it comes to a question of settling a prescribed price it is in relation to a named commodity, 80 per cent of the base price or such higher percentage of the base price as the Governor in Council prescribes—not the board, the Governor in Council.

I should point out something else which bothers me in this bill a little, if the committee does not mind my doing so at this time. On page 3, in subsection 4, it says:

The Board shall comply with any directions from time to time given to it by the Governor in Council or the Minister respecting the exercise or performance of its powers, duties and functions under this Act.

What bothers me there is that you can have two different sources of direction, and therefore you could as a matter of interpretation of this statute have a conflict in sources of direction, with the different sources of direction having different views. I should point out that in the Agricultural Products Board Act the language is that they may do certain things under the authority of the Governor in Council and under the direction of the minister. They are set up as two alternative sources from which directions come and to which they must pay attention. I think there is something basically wrong with that. I think it should be "the authority of the Governor in Council under the direction of the Minister", and that that would be the proper way of putting it.

Senator FARRIS: Would not cabinet solidarity enter into it?

The CHAIRMAN: I do not know.

Senator MACDONALD: Oh, yes, the minister is a member of the Council, advising the Council, so that if he gave different orders from the Governor in Council there would be a clash there immediately.

The CHAIRMAN: That is exactly what I am saying, that there is the opportunity of conflict under subsection 5 of section 4; and of course if in dealing with any bill that comes before us in relation to any particular clause we want to resolve, we were to say there is a possibility of conflict but it could not happen, that would mean that we might as well take much less scrutiny in the examination of all bills coming before us.

Senator HAIG: In answer to the position you have taken, Mr. Chairman, there may be some question arise as to whether there is authority to do certain things by the minister, and this is an attempt to cure that difficulty. I cannot imagine any cabinet, certainly not in Canada, doing something different from the minister. If the minister did something different from that of the cabinet he would not last 20 seconds.

The CHAIRMAN: My point is not concerned with that, but with the language of the bill which creates a conflict of authority.

Senator HAIG: They want to give the minister power.

The CHAIRMAN: Well, they can do that very easily by the language I suggested, that is, that the authority of the Governor in Council be under the direction of the minister. There is a proper way of writing a section and an improper way.

Senator HAIG: You said under the authority of the Governor in Council. The question may arise that he has not got the authority, and when a matter comes up before the board the minister would be given power to act; I think myself that is what is intended.

The CHAIRMAN: I think it is just thoughtless.

Senator DAVIES: You mean, the minister can give direction to the board without consulting the Governor in Council.

The CHAIRMAN: Under the wording of this subsection, yes.

Senator MACDONALD: No doubt about that.

Senator ROEBUCK: What the chairman has in mind is that perhaps there is some action to be taken or some statement to be made on the authority of the Governor in Council. The board gets some direction from the minister, and they say to themselves that there is a conflict between the two, and they ask whose authority they are to invoke.

Senator FARRIS: The Public Works Act, under section 37, has adequate directions.

Senator HAIG: Sometimes a man has to make a decision on the moment, and he has power to act under this section.

The CHAIRMAN: You have two independent sources.

Senator BRUNT: Senator Farris, has it worked under the Public Works Act?

Senator FARRIS: Oh, yes; no doubt about it.

The CHAIRMAN: The situation has never arisen. Any other questions?

Senator HORNER: I think we should proceed with the bill.

The CHAIRMAN: We have Dr. Richards and Mr. Turner here, who are economists. They have assisted Dr. Taggart. Are there any questions that members of the committee would care to direct to them?

Senator EULER: Let us take the bill clause by clause.

The CHAIRMAN: Before proceeding with the bill clause by clause, I should call the attention of the committee to the fact that later today the minister is supposed to be available to make a statement.

Senator HORNER: With the full discussion we have had and the capable answers we have received, is it necessary to meet again?

The CHAIRMAN: That is up to the committee. It was stated last night that the minister would be available.

Senator HAIG: I am afraid he might not be here, because of the bad flying weather.

Senator DAVIES: What more could he tell us?

The CHAIRMAN: The question is one the committee should resolve. The bill came to committee on the basis of the minister meeting with us this afternoon. We can proceed and deal with the bill section by section now and adjourn to hear the minister, or we can decide to report the bill. I would like to get the views of the committee on it. Those who wish to hear the minister before we report the bill, please signify. Those satisfied with the presentation we have had and do not wish to hear the minister, please signify.

It is obvious that the wish of the committee is to proceed without hearing the minister. We shall proceed now to consider the bill section by section.

Senator CRERAR: Is that necessary?

The CHAIRMAN: Some questions were raised.

On section 2—definitions.

Some suggestion was made about adding the word "food" to the words "processed product of agriculture". Has the committee any views on that matter?

Senator HAIG: I would leave it alone.



Senator DAVIES: I am afraid that pulpwood might be brought in under this definition, with the result that newsprint will go up, and I don't want to see it go up.

Senator KINLEY: It would rule out fertilizers.

Senator HORNER: What does Dr. Taggart say?

The CHAIRMAN: I understood Dr. Taggart to say earlier that the intention was to cover food products only.

Dr. TAGGART: I am not sure that I am able to express a clear opinion on this at the moment. I think we would have to examine the consequences of such a change; in other words, we might prevent certain items from coming within the bill, which should be available.

Senator PEARSON: Would woodpulp be considered an agricultural product?

The CHAIRMAN: It is a processed product.

Senator PEARSON: But why is it an agricultural product?

The CHAIRMAN: It is a product of the forest.

Senator HAIG: That was presented to the other house, and was turned down.

The CHAIRMAN: I am not quarrelling with the reasoning in another place; I am only interested in our approach to the bill. We are considering the bill.

Senator MACDONALD: I doubt very much if the pulpwood would be considered a processed product of agriculture.

Senator POWER: Are wood products considered an agricultural product? I do not know the answer.

Dr. TAGGART: We would not regard it as such in our products.

Senator POWER: Are trees, shrubs or anything of that nature considered agricultural products?

Senator HORNER: The great majority of pulpwood is grown where there is not one acre of agricultural land.

The CHAIRMAN: People farm trees in the same way as they farm any other product.

Senator POWER: I would like a definition of "agricultural product".

The CHAIRMAN: The statute does not give an embracing definition.

Senator FARRIS: It says what "agricultural commodity" means.

Senator POWER: Yes, but afterwards it says "any other natural or processed product of agriculture"—that is the designated products. Is it possible under any interpretation of language to consider trees an agricultural product? The timber and lumber economists talk of the lumbering industry being an agricultural industry because they grow trees, they want continuing growth, they must cut only the annual yield and so on. They simulate timber growing with agriculture.

Senator FARRIS: I think they call it tree farming.

Senator POWER: Yes, tree farming.

Senator McLEAN: For instance, dulse is a seaweed, but it grows on the land at the shore, and has become a big crop. Would it be considered an agricultural product?

Senator MACDONALD: Personally, I have enough confidence in the officials of the department to be satisfied that they would not include trees in agricultural products.

The CHAIRMAN: Of course, senator, that argument would make us very casual in our examination of bills. In other words, it does not matter what the statute contains, the department is going to be careful in its administration. I would want a better reason than that.

Senator MACDONALD: I think we are examining the bill a little too minutely at the moment. Trees have never been considered an agricultural product under any similar bills, and now we are suggesting that they might be considered an agricultural product. Personally I would not want to vote to have the bill amended in that respect and sent back to the House of Commons.

Senator POWER: I am not trying to have it amended; I am only seeking information. If the sawmill people in western Canada, who are now a depressed industry, can have their sawmill products priced over a ten-year average, they would make some money. They may have learned counsel who will go before the Government and argue that their products are agricultural products.

Dr. TAGGART: Mr. Chairman, I can only point out that under the organization of our Government forestry and agriculture are completely separate, and I believe the same is true of all provinces.

Senator BRUNT: That is true.

Dr. TAGGART: Certainly if our department were asked that question, we would not include trees in agricultural products; but that does not settle the legal point.

Senator ISNOR: Mr. Chairman, I am not the least bit concerned with whether trees or textiles are included in the classification, but there are some other items such as foot wear, which I am interested in.

The CHAIRMAN: Or woollen underwear.

Senator ISNOR: Yes. I do believe that, as the point was raised and brought out clearly, there is general opinion that the word "food" should be included to give clarity to the meaning of the act. I think you were quite right, Mr. Chairman, in pointing out that "food" makes it clearer.

Dr. TAGGART: Mr. Chairman, I can think at the moment of two possible commodities which might be excluded because of the inclusion of the word "food". One is tobacco. Whether the Government may regard it as desirable to support the price of tobacco, it seems to me very likely that if that were done the support would have to be made effective at one stage or two stages away from the producer. Another very minor product and one that has been mentioned at times, is flax fibre. There is flax itself, most of which is used for non-food purposes. There are some important agricultural products that might be excluded from the act, if we included "food".

The CHAIRMAN: What is the view of the committee? Shall section 2 pass?

The section was agreed to.

On section 3—board established.

The section was agreed to.

On section 4—agent of Her Majesty.

The section was agreed to.

You will note that in carrying that section so loudly and vociferously, you are ignoring completely the remarks of the chairman.

Senator DAVIES: Mr. Chairman, is it not more common in many instances to give the minister of the department authority to deal with a matter without referring it to the Government?

The CHAIRMAN: Yes.

Senator DAVIES: Is that not just what this provision does?

The CHAIRMAN: I am talking about this setting up of possible conflict of authority on directions that are given, something along the lines of section 37 of the Public Works Act referred to by Senator Farris.

On section 5—Advisory Committee. Shall section 5 carry?  
The section was agreed to.

On section 6—staff.

Section 6 is the usual provision in bills of this kind for staff and maintaining civil service status. Shall section 6 carry?

The section was agreed to.

On section 7—this section defines the duties of the board. Shall section 7 carry?

The section was agreed to.

On section 8—establishment of base price.

Senator POWER: Mr. Chairman, I am not clear on section 8. I understood from some of the explanations given yesterday that the base price of certain agricultural commodities were to be determined by averaging the prices over a 10 year period immediately proceeding, but from the explanation, and I may have misunderstood, I understood that only applies to agricultural commodities contained in (i) of the definition section.

The CHAIRMAN: No. As I understand it, Senator, it is this, and some of the others can tell me if I am wrong: the base price of any agricultural product whether it is a named product or a designated product, is arrived at in the same fashion, by taking the average price over the last 10 years, and then as to a designated product there is no floor of 80 per cent, any percentage may be set that the Government in Council wishes to.

Senator KINLEY: There is no responsibility to do anything?

The CHAIRMAN: That is right.

Shall section 8 carry?

The section was agreed to.

On section 9. This section provides for the period in which any action in fixing prescribed prices will endure. If a price is set on one of the named products that will be good for a year. Shall the section carry?

The section was agreed to.

On section 10—powers of the board. Shall this section carry?

The section was agreed to.

On section 11—power to make regulations.

The section was agreed to.

On section 12—expenditures.

The section was agreed to.

On section 13—other expenditures.

The section was agreed to.

On section 14—dealing with report to Parliament.

The section was agreed to.

On section 15—there is a transitional period in section 15 provided to cover the period of taking over from the Agricultural Prices Support Board. Shall section 15 carry?

The section was agreed to.

On section 16—commencement.

The section was agreed to.

On section 17—covering repeal of the Agricultural Prices Support Act. Shall this section carry?

Carried.

Do you approve the title of the bill?

The section was agreed to.

Do you approve the preamble?

The section was agreed to.

Senator HORNER: Mr. Chairman, I move that the committee be authorized to print 800 copies in English and 200 copies in French of their proceedings on Bill 237, intituled "An Act to provide for the Stabilization of the Prices of Agricultural Commodities."

The CHAIRMAN: You have heard the motion. What is your pleasure?

The motion was agreed to.

Senator MACDONALD: Mr. Chairman, I think we should thank Dr. Taggart and the other officials for the splendid explanation which they have given of this bill. When we came here this morning we expected that we would have to have a further explanation from the minister but we seem to be almost unanimous in feeling that Dr. Taggart and his associates have explained it so fully that we have no need of hearing the minister.

Hon. SENATORS: Hear, hear.

The meeting adjourned.













