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AGRICULTURE, 1972-

Proceedings.

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FOURTH SESSION—TWENTY-EIGHTH PARLIAMENT
1972

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, *Chairman*

Issue No. 1

WEDNESDAY, JUNE 28, 1972

Consideration of the Report of the Canadian Wheat Board for the crop year
ended July 31, 1971, tabled in the Senate on Tuesday, 25th April, 1972,

and

Bill C-204, intituled: "An Act to amend the Canadian Wheat Board Act".

REPORTS OF THE COMMITTEE

(Witnesses:—See Minutes of Proceedings)



THE STANDING SENATE COMMITTEE
ON AGRICULTURE

The Honourable Hazen Argue, *Chairman*

The Honourable Senators:

Argue	McDonald
Benidickson	McNamara
*Flynn	Michaud
Fournier	Molgat
(<i>Restigouche-</i> <i>Gloucester</i>)	Norrie
Haig	Petten
Hays	Prowse
Inman	Quart
Lafond	Sparrow
Lawson	Welch
*Martin	Williams
	Yzyk—(20).

**Ex officio* members

20 Members (Quorum 5)

Issue No. 1

WEDNESDAY, JUNE 28, 1972

Consideration of the Report of the Canadian Wheat Board for the crop year ended July 31, 1971, tabled in the Senate on Tuesday, 27th April, 1972.

and

Bill C-204, entitled: "An Act to amend the Canadian Wheat Board Act."

REPORTS OF THE COMMITTEE

(Witnesses—See Minutes of Proceedings)

Orders of Reference

Extract from the Minutes of the Proceedings of the Senate of Monday, June 26, 1972.

"With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Agriculture be authorized to examine and report upon the Report of The Canadian Wheat Board for the crop year ended July 31, 1971, tabled in the Senate on Tuesday, 25th April, 1972.

After debate, and—

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

Extract from the Minutes of the Proceedings of the Senate of Wednesday, June 28, 1972.

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Argue, seconded by the Honourable Senator McNamara, for the second reading of the Bill C-204, intituled: "An Act to amend the Canadian Wheat Board Act".

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 Argue moved, seconded by the Honourable Senator McNamara, that the Bill be referred to the Standing Senate Committee on Agriculture.

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

Robert Fortier
Clerk of the Senate

Minutes of Proceedings

Wednesday, June 28, 1972.

(1)

Pursuant to adjournment and notice the Standing Senate Committee on Agriculture met this day at 10:00 a.m. to examine and report upon the Report of the Canadian Wheat Board for the crop year ended July 31st, 1971, tabled in the Senate on Tuesday, 25th April, 1972.

Present: The Honourable Senators Argue (*Chairman*); Lafond, McDonald, McNamara, Michaud, Molgat, Norrie, Petten and Sparrow. (9)

Also present but not of the Committee: The Honourable Senators Aird and Inman.

Upon Motion of the Honourable Senator Lafond, it was *Resolved* to print 800 copies in English and 300 copies in French of these Proceedings.

The following witnesses from the *Canadian Wheat Board* were heard:

- Mr. Gerry Vogel,
Chief Commissioner.
- Dr. R. L. Kristjanson,
Commissioner.
- Mr. R. M. Esdale,
Commissioner.
- Mr. C. E. Gordon Earl,
Executive Director.
- Mr. Frank Rowan,
Special Sales Representative.
- Mr. Gordon Machej,
Assistant Treasurer.

The Committee adjourned at 12:15 p.m.

At 3:15 p.m. the Committee resumed.

Present: The Honourable Senators Argue (*Chairman*); Inman, Lafond, McDonald, McNamara, Michaud, Molgat, Norrie, Petten, Quart and Sparrow. (11)

The following witnesses from the *Canadian Wheat Board* were heard:

- Mr. Gerry Vogel,
Chief Commissioner
- Dr. R. L. Kristjanson,
Commissioner.
- Mr. R. M. Esdale,
Commissioner.
- Mr. C. E. Gordon Earl,
Executive Director
- Mr. Frank Rowan,
Special Sales Representative.
- Mr. Gordon Machej,

Orders of Reference

Assistant Treasurer.

After discussion it was agreed to report according to the Order of Reference.

At 4:00 p.m. the Committee proceeded to the consideration of the following Bill:

Bill C-204, "An Act to amend the Canadian Wheat Board Act".

The following witness was heard:

The Honourable Otto Lang, Minister of Justice who is responsible for the *Canadian Wheat Board*.

After discussion it was *Resolved* to report said Bill without amendment.

At 4:15 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Aline Pritchard
Clerk of the Committee.

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 Argue moved, seconded by the Honourable Senator McNamara, that the Bill be referred to the Standing Senate Committee on Agriculture.
The question being put on the motion, it was—
Resolved in the affirmative.
Robert Forster
Clerk of the Senate

Reports of the Committee

July 6, 1972

The Standing Senate Committee on Agriculture, to which was referred the Report of the Canadian Wheat Board for the crop year ended July 31, 1971, tabled in the Senate on Tuesday, 25th April, 1972, has in obedience to the order of reference of June 26th, 1972, examined the said Report and reports as follows:

Your committee has learned with satisfaction that exports of Canadian grain during the current crop year ending July 31st will reach an all time record of approximately 800 million bushels, exceeding last years' previous record of 706 million bushels. The settling of the current labour strikes at St. Lawrence ports would increase the exports during the current crop year, but sales are firm and the 800 million bushel export figure will in all events be reached by July 31st or shortly thereafter. Your committee further notes the confidence of the Board that there will be another increase in exports in the 1972-73 crop year establishing still another record breaking year.

It has learned that the two thousand hopper cars that will be placed in service in the transport of grain will add about ten per cent to the current railroad grain handling capacity and should assist the Canadian Wheat Board in reaching its high 1972-73 export goals.

The committee has noted that the Canadian Wheat Board is very much aware that current world market prices for wheat are low and the Board supports, as soon as it is practical, the establishment of an effective international grains agreement. The most important single event that would firm world prices would be increased world purchases of wheat to the extent necessary to reduce the current large wheat surplus in the United States.

The Canadian Wheat Board reported that the unload of box cars at Thunder Bay is now in excess of 1800 box cars per day, up from the 1200 box cars per day that a few years ago was considered a practical maximum.

Great difficulties in winter transportation through the Rocky Mountains were experienced during the current crop year. Westcoast unloads in recent months have steadily increased and are now in excess of 800 box cars per day, up from the previously regarded maximum of 600 cars per day. It is desirable to take action to assure that this high rate of unload is maintained and in fact increased. To this end the Board believes that certain construction by railroads to protect transportation through the mountains from snow slides and rock slides is required.

Also there is need for an increase of from 20,000,000 to 30,000,000 bushels in grain storage capacity on the West Coast which would provide available grain for an additional 15 to 30 days in the event of interruption in the delivery of grain from the railroads. A further study at a

later date, by the Committee, of railway transportation and West Coast facilities may be useful.

Senator Hazen Argue
Chairman

Wednesday, June 28, 1972.

The Standing Senate Committee on Agriculture to which was referred the Bill C-204, entitled: "An Act to amend the Canadian Wheat Board Act", has in obedience to the order of reference of June 28, 1972, examined the said Bill and now reports the same without amendment.

Respectfully submitted.

Hazen Argue
Chairman

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Wednesday, June 28, 1972

The Standing Senate Committee on Agriculture, to which was referred the Report of The Canadian Wheat Board for the crop year ended July 31, 1971, tabled in the Senate on Tuesday, April 25, 1972, met this day at 10 a.m.

Senator Hazen Argue (*Chairman*) in the Chair.

The Chairman: Honourable senators and gentlemen, there are two other meetings being held at this time so some of the senators who wish to be here may attend later.

I am delighted to open our first meeting of the Standing Senate Committee on Agriculture, as set up by the Senate a few days ago. This is the first time in forty years that the Senate has had a standing committee on agriculture. As someone remarked, perhaps it is an indication that there are senators who have a great interest in agriculture.

I welcome members of The Canadian Wheat Board and some of their staff. We have with us: The Chief Commissioner, Mr. Gerry Vogel; Commissioner R.L. Kristjanson; and Commissioner R.M. Esdale. Other Commissioners who are not present, inadvertently or because they had other business to attend to, are Mr. Treleaven and Mr. Gibbings. We have with us also: the Executive Director, Mr. Gordon Earl; Special Sales Representative, Mr. Frank Rowan; and Mr. Gordon Machej, Assistant Treasurer—all of The Canadian Wheat Board.

Gordon Earl and I were talking about this earlier, and we think that we may very well be the veterans as far as having appeared before agriculture committees is concerned. He reminded me that he appeared before a House of Commons committee on agriculture some 22 years ago, and I happened to be there at that time.

I am sure that you gentlemen know most of the senators present, but I will endeavour to name them for you. Senator McNamara is no stranger to you. He has a tremendous record of service as far as agricultural producers in Canada are concerned. Senator Inman is from Prince Edward Island. Senator Michaud is from New Brunswick, and is the Deputy Chairman of this committee. Senator Molgat is from Manitoba. Senator Petten is from Newfoundland. Senator Lafond is from Quebec. Senator Sparrow is a colleague of mine from Saskatchewan. And Senator Norrie is a farmer, it I might say so, in her own right.

At this time it gives me great pleasure to call upon Mr. Vogel. Some honourable senators are well acquainted with The Canadian Wheat Board, its reputation and the way it operates. However, I will call upon Br. Vogel to make an opening statement containing a brief description and history of the board so that those who are not acquainted with it will at least have this background. You may also make any statements you wish at this time. Then we will give all honourable senators an opportunity to ask general questions, after which we will go through the report topic by topic.

I now call upon the Chief Commissioner, Mr. Vogel.

Mr. Gerry N. Vogel, Chief Commissioner, The Canadian Wheat Board: Honourable senators, it is a pleasure for us to appear before this committee this morning. It is an auspicious occasion for you because it is your first meeting and it is a privilege to participate in it with you. We wish the committee much success in the future, and we assure you of our continuing co-operation.

I believe we are dealing specifically with the annual report of The Canadian Wheat Board for the crop year 1970-71, which is probably one of the top 10 on the best sellers' list. I am sure all of you have read it. However, Senator Argue has suggested that I give you a brief history of The Canadian Wheat Board.

There have been wheat boards, in one form or another, throughout Canadian history. However, the present Canadian Wheat Board came into being in 1935-36, and it covered only wheat produced in western Canada. It was what is known as a voluntary board; farmers had a choice of delivering their wheat either to the board or to the open market. From the government's point of view, it did not work out very well because the board received the grain when there was a demand for it and the government received it when there was not a demand. The government could only take a loss; they could not hope to break even. There was a substantial loss in 1939. The war came along and in 1940, under wartime emergency legislation, the board was made compulsory, which meant that as far as wheat was concerned all producers from western Canada marketed their grain through the board. This meant that any wheat had to enter commercial channels through country elevators, box cars, or by crossing provincial boundaries, whether it was for domestic or export sale. It did not pretend to govern farm-to-farm transactions or transactions within a province unless they fell under the category of grain entering a country elevator or, perhaps, railway equipment.

In 1949, after plebiscites in the three Prairie provinces, the powers were further extended to oats and barley. That is the situation we still find ourselves in today. We are called The Canadian Wheat Board, but really it is the monopoly seller of all wheat, oats and barley produced in western Canada and entering commercial channels. It is, in a sense, if you like, a big co-operative set up under government auspices. Its form of operation is that, although we do not own the elevators, we use the elevator companies as our agents. The elevator companies, as our agents and on our instructions, take in the grain from the farmer and pay the farmer, at the time of delivery, an initial payment which, basically, is set by the government. We then order the transportation of the grain and we sell the grain, be it domestic or export. At the end of the year we deduct all our expenses—and by that I do not mean only administrative expenses but also the costs of storage, interest—and then, hopefully, there is a final payment to the producers. Most years there has been a final payment to each farmer prorated to the deliveries which he made.

We are not financed by the government. We have to finance ourselves by means of bank loans. These bank loans, however, are guaranteed by the Minister of Finance. If, therefore, in our accounting at the end of the year there is no profit there is no final payment to the farmer. If, in fact, the initial payment was too high and there is a loss, then this loss is reimbursed to us by the Minister of Finance. It is used, really, to pay off the bank loan which we otherwise could not pay off as we did not generate enough revenue to meet what we had borrowed to make the initial payment to the farmer and to pay our expenses. Briefly, that is our marketing function.

There is another function with which we are charged, and that is the administration of the quota system. You could say that this is not an essential part of the marketing function, but it is a part which is strongly supported by the farmers of western Canada and, therefore, under the act we are called upon to administer a delivery quota system. A delivery quota system is a system which tries to ensure that each farmer will have his fair share of delivery opportunities based on sales which have been made. In this way he can participate equally in sales which have been made and also have his equitable and fair share of space in the elevators. This system is very popular. It means that a farmer who lives 50 miles from town does not have to camp on the doorstep of the elevator waiting and hoping that there will be space available as contrasted with a farmer who lives next door to the elevator and who only has to look out his window and hop in quickly when he sees the opportunity. It is an onerous thing to administer, but it is, as I say, very strongly supported, so it forms part of our responsibilities.

Another responsibility which is extremely important and extremely heavy these days because of the form in which grain is moving is transportation. We are responsible for the organization for the movement of the grain from the country elevator to the terminal facilities at Thunder Bay or at seaport. These days when the volume of exports is so high, and because we are straining the facilities of the railways, the lake vessel operators, and the terminal facilities to the absolute limit, this has to be a very carefully managed and onerous task.

Mr. Chairman, I think, as briefly as anyone can do so, that summarizes the responsibilities of the board as outlined under the act. I can either stop at this point or go on with some general remarks with respect to the report under review.

The Chairman: If there are no general questions I think you should just proceed with your opening remarks.

Senator Michaud: I wonder if Mr. Vogel would care to say a word or two about the feed grains policy?

The Chairman: His suggestion was that he might go ahead and complete his opening remarks which he has prepared. The remarks he has just completed were really in response to my question. If it is agreeable with honourable senators I think Mr. Vogel should complete his opening remarks and then we will take general questions.

Chief Commissioner Vogel: In fact, Senator Michaud, part of the general remarks I will be getting into will touch on at least some of the feed grain situations.

We are now, of course, in the crop year 1971-72, and it will come to an end in another month. The report under

review is for the crop year 1970-71. I shall try as much as I can to confine myself to the report under review, but I think, both for your sake and for our sake, it will be almost impossible and we shall in many instances, almost unwittingly, be lapsing into the present; it is inevitable.

It is gratifying to be able to sit here and discuss even the 1970-71 report, because in the crop year 1970-71 we did set a new all time record for the export of Canadian grains. The total exports of Canadian grains and grain products for the crop year 1970-71 came to about 706 million bushels. The previous all time high was set in 1965-66 at 685 million bushels. It was, however, a vastly more difficult project this time because the earlier year had been almost entirely wheat, and a very high percentage of it went to one customer, that being Russia—one of the large Russian sales. Last year, however, we had a comparatively smaller Russian participation. There were sales to a multitude of customers and sales of a multitude of grains and grades of grains. This, needless to say, complicated the storage and transportation policies. One of the most interesting aspects of the year was that barley exports rose to 175 million bushels out of the 706 million bushels that I gave as the total. You must look at the barley figure in relative terms. The 175 million bushels compared to roughly half that the year before—something in the neighbourhood of 80 or 85 million bushels the previous year—and previous barley totals in earlier years of as low as 12 million bushels or 20 million bushels.

Lapsing for a moment into the present, it is even more gratifying to say to you that this year, in the crop year which will end in another month or so, we will break last year's record and we will do so by a substantial margin. Last year's record, which was an all-time high as I said, was 706 million. This year's figure will be close to 800 million. It may be slightly under; it may be slightly over. It is hard to tell. Certainly, the sales are on the books. It is only a question of when vessels clear. If certain vessels clear by July 31, then we make the 800 million bushels or go over it. If certain vessels do not clear until August 3, it could be slightly under it. But to me this is an academic distinction. It is not really that important. But it will be very close to the 800 million bushel figure when all the figures are in.

Remember that so far I have been speaking in terms of two aspects only: one, needless to say is exports; the other is in terms of volume. Pricewise, I wish I could tell you that the situation was just as good. It is not. Grain prices in the world generally are not strong and we have not been as successful as we would like to have been in working prices upward. Even with the Canadian situation, where we are using our facilities to the limit, it has not been possible to compete in the world at any substantially higher level of prices.

I also said that we were responsible for domestic selling of a commercial nature, and this brings me to Senator Michaud's question. We are not responsible, as I said earlier, for farm-to-farm sales, but we are responsible for sales of wheat for domestic use to Canadian flour mills. We are responsible for sales to feeders in western Canada out of elevators and we are responsible for sales of grain, of feeding grains particularly, to eastern Canada.

There has been a fair amount of publicity and controversy with respect to the latter type of business. I think a good part of that has been due to a lack of understanding on both sides. There has been a lack of understanding of the

problems of the western farmer, on whose behalf we sell grain, and there has been a complete lack of understanding on our part of the problems in eastern Canada.

Our responsibility, and I say this very bluntly, is quite simple. It is to do the best possible job for the western farmer. However, I like to think we do not interpret that in a narrow sense. We do not believe it is necessarily in the best interests of the western farmer to extract the last fraction of a cent. One has to take a longer-term view of the matter, and the eastern Canadian feed market is still the largest market for western Canadian feed grain.

In setting our prices, particularly for barley, which is the dominant feed from western Canada, we have conscientiously and carefully set our selling prices at levels which would keep us competitive or more than competitive with other feeding supplies in eastern Canada. We are, in fact, often accused by the Ontario Corn Producers of keeping the prices too competitive and, thus, placing them in financial difficulties. So it is a delicate tightrope we have to walk. If prices are too low we are accused by Ontario Corn Producers of bankrupting them. If prices are too high the accusation is made by Quebec that we have priced ourselves at levels on the basis of which the Quebec feeders cannot survive. I should have included the Maritimes there, too. It is not only Quebec that feels that way.

We have tried to keep competitive and, as an example, I say that on June 9, which is the last date for which we have figures, the wholesale selling price of western Canadian barley in Montreal was \$46.17 a ton. The price of U.S. corn was \$52.54 a ton. The price of Canadian corn, be it Quebec corn or Ontario corn, was \$52.69 a ton. We have looked to this in the past as the means of feeling we had done our part of the job, but in spite of that we did realize that more dialogue was necessary and so, recently, we have had most satisfactory discussions, starting first of all with the advisory committee to the Canadian Livestock Feed Board. Particularly, we had a most worthwhile discussion with M. Allain, the President of the Union des Cultivateurs du Quebec. He was most pleased, as we were, too, with the outcome of that talk. We were convinced on both sides that something could be worked out and that it would be worked out and that, certainly, we understood each other much better. This was followed up only within the last ten days by a meeting in Winnipeg with 25 members of the Union des Cultivateurs, who, so we have heard indirectly, have again reported back to their colleagues that it was a most successful trip. They are most optimistic for the future and the future relationship and we understand that the next issue of their newspaper, *La Terre de Chez Nous*, will reflect this sentiment.

Senator Norrie: Is the Union des Cultivateurs an agricultural union?

Chief Commissioner Vogel: It is a union of the Quebec farmers. It is the UCC.

Reverting now to export again, because Canada and particularly the western farmer lives by exporting, these figures which have been achieved in exports—last year's record which is mentioned in the annual report and the new record which will develop out of this crop year—are startling in terms of logistic problems. I should just like to give you a few examples of what I mean. At Thunder Bay, in order to provide the grain we need to fulfil this type of sales program, we need daily unloads by the railways and

the elevators of over 1,800 cars a day. In fact, it would be closer to 1,900 cars a day.

A few days ago we set a new record for the largest daily single unload of cars in history at Thunder Bay and that was 1,927 cars. Now to put this in some perspective, I only have to tell you, and Senator McNamara will remember this very well, that a few years ago if we achieved 1,200 cars a day, it used to be considered quite an achievement. Again, to put it in perspective, forgetting the CNR, the CPR alone to supply their share of this quantity of cars requires a grain train out of Winnipeg every four hours, 24 hours a day, seven days a week with, of course, the empties going back. This is quite a program.

Out in the country, and Senator Sparrow will know this, there are many branch lines where they used to get train service once or twice a week and where now they are getting seven runs weekly. The performance by the railways and the performance by the country elevator operators in loading these cars and taking in grain at the same time in order to have it on hand to fill the cars is quite fantastic.

At Vancouver, where it used to be that if we reached 600 cars a day we almost declared a national holiday, our target is now over 800 cars a day and in fact on one single day we achieved 957 cars. And I should say that these Vancouver terminals not only unloaded them but kept up with the cleaning and no bottleneck whatever was created. Now these figures both for Thunder Bay and Vancouver will have added to them very shortly the Churchill movement of about 150 cars a day to fill the Churchill terminal before the shipping season starts in late July. So, these are unheard of quantities of grain now moving into and out of western Canada.

Now I have mentioned our responsibilities under the quota system, and to make that work better we have introduced many changes in the system. Some of them are experimental, but the only way we will learn is by trying. But already even in an experimental way some of them have been very successful and have been very well received. We introduced, for example, a system which we called "assignable acres" which means a farmer can seed his farm with any type of grain he wants, but when it comes to assigning his acres for delivery purposes and for quota purposes he can assign them in any way he wants. For example, if he grows half of his acreage in wheat and half in barley, and he knows he is going to feed almost all the barley to his own animals, he can, if he likes, assign his entire acreage for the purposes of the delivery of wheat which gives him a flexibility which he never had before, and this is working extremely well.

Another thing we had to do was to introduce what we call terminating quotas. It used to be that every time a quota was announced it would then be in effect until the end of the crop year. This did not work very well because farmers would tend to sit back in many cases and then give us all their grain in June or July. Also it did not necessarily give us the grain when we needed it; it was fine to sign a contract with the buyer in December and say, "Thank you for your business, now we will give you this grain sometime between now and July, whenever the farmer delivers it." This hardly served the purpose. But providing the terminating quotas meant it had to be delivered within three months and the delivery opportunity was lost unless it was delivered in that period. This has worked very well and has been very well received.

Having painted this glowing picture, I want to end up with a most serious word of caution, and the message we would like to leave with you is one that none of us should ever forget. That is that we are in a business which depends essentially on weather—the weather here in Canada or the weather in other major producing areas of the world. We like to think that some of these methods I have been describing to you have been successful and have contributed in one measure or another to the records being set, but on the whole it depends on world conditions and there are going to be good years and there are going to be bad years in this business. This is the way it always has been. There is a tendency in the business when things are going good nobody can ever believe that they will ever be bad again, and when they are bad nobody can ever believe that they are going again. It is gratifying to be able to sit here and describe such good conditions in terms of volume, but it is equally important to remember that we are going to have bad years again. They are absolutely inevitable, but it looks like it will not be next year. But they will come again, and when that happens and when we do appear before you again under those circumstances, those will be the years when we are working the hardest and those will be the years we need the most support from you.

The Chairman: Thank you very much, Mr. Vogel, for an interesting presentation. I am sure you realize that as an organization and as a principle, the Wheat Board and all it stands for has the full support of this committee and of the Senate.

I notice that Senator Aird has now joined us, and he is very welcome. Even though he is a visitor, he has full rights to ask questions. He is the chairman of the Senate Committee on Foreign Affairs.

Senator Norrie: When you speak of eastern Canada, where is the boundary?

Chief Commissioner Vogel: Well, the boundary technically is at the city line of Thunder Bay. But you then have a bigger area which is rather irrelevant. When we talk about eastern Canada, we are talking about the seeding areas of Ontario, Quebec and the Maritimes. Of course I imagine some people from Alberta and Saskatchewan would regard Manitoba as being in eastern Canada.

Senator Molgat: As a Manitoban, I am glad to see that the first efforts of this newly-born committee are in connection with the Wheat Board.

Now, Mr. Vogel, the sales have been excellent but the farmers are concerned about the price. What is the likely longer term outlook on pricing? A few years ago we were plugging for a minimum of \$2 on the world agreement, which probably turned out to be a mistake. We, the politicians, were pushing for this ourselves. What is the likely long-term situation?

Chief Commissioner Vogel: I do not want to make this a one-man show, and perhaps I have talked too much already, so I should like to bring my colleagues into this. I am going to ask my colleagues to answer this question. I should just like to make a general comment, that it is easy to have high prices but, of course, you will not sell any grain. It is not easy to sell a lot of grain and you will not achieve this simply by lowering your prices. It depends on when you lower the prices. If you lower them at a time when your competitors are in a position to take in a

volume of business and are asking for it, they will follow you right down the line. The key to obtaining volume business is to be competitive at exactly the right time, when you can do something which they cannot do.

I will now call upon Mr. Kristjanson and Mr. Esdale to discuss, firstly, wheat and secondly, barley in the world market.

Dr. R. L. Kristjanson, Commissioner, Canadian Wheat Board: Dealing with wheat at the present time, the country which is determining the price level is the United States. They are the only country with a substantial surplus stock. Unfortunately, they have had a relatively bad market year. This has been caused by several factors such as labour difficulties, and they have had ergot in their dark northern spring wheat. They have had absolutely no disposition towards raising wheat prices.

This is complicated by the fact that this is an election year in the United States. I think the only hope for an increase in price in the immediate future would be if the United States was successful in making a substantial sale of grain to the U.S.S.R. This is a possibility. I suppose it seems strange to hear this from a selling organization in Canada. However, I think this is the only thing which would cause them to change their attitude.

Barley prices are better than they were a year ago. They are largely determined by the level of U.S. corn prices which are fairly stable. The outlook for the United States corn crop is excellent. They expect a corn crop of around 5 billion bushels. There is no indication that corn prices will increase. So barley prices are better than they were a year ago.

You have referred to the question of the international grain arrangement regarding \$2 wheat. I think I will pass to Mr. Esdale regarding where we stand vis-a-vis international negotiations.

Mr. R.M. Esdale, Commissioner, Canadian Wheat Board: Mr. Chairman, at the present time there are no price provisions in the international grains arrangement because of a failure in the efforts to negotiate a price range two years ago. The International Wheat Council will be meeting in Tokyo next week. One of the requirements is that each participant work towards a new price range when it feels it is possible to obtain one. I can only report that our prospects for negotiating a price range at the present time are very dim for a variety of reasons. The atmosphere does not seem to be right, and each country has a different reason for the position they have taken, so I cannot indicate any good prospects in the near future for negotiating an internationally accepted price range.

Senator McNamara: In view of your rather pessimistic forecast regarding a new international wheat agreement—you have indicated that many countries have various reasons—do you think that most of the opposition comes from exporting countries, or is it from the consuming countries?

Commissioner Esdale: I think it is mainly from the exporting countries, although I would say that importing countries do not have the same will or interest in an international grain arrangement which was apparent 10 or 15 years ago. This situation may change if there is a change in the market. However, at this particular time, the importing countries are not pushing for grain. I certainly agree

with you that a key factor is an exporters' agreement. This is missing at the present time.

Commissioner Kristjanson: I think we should clarify one point. We are speaking of exporting countries. However, Australia and the EEC are certainly in favour of an international grain arrangement. What they mean by that is a comprehensive agreement including production controls, and so on. However, the one big stumbling block is the United States, and again this is for marketing reasons. They expect low prices to increase the volume.

Chief Commissioner Vogel: In actual fact, world wheat production this year is up 8 to 10 per cent. World trade in wheat will be up perhaps the same percentage. Canada is also up considerably and, as I have indicated, Australia is up as well. However, the Americans are having a very discouraging export year. I do not need to remind you that it is a very sensitive year in the United States and they simply are not responsive to the idea of higher prices which might possibly leave them open to the charge that they have performed poorly because they have outpriced themselves. There are very good physical reasons why they have had a poor year. They have had a longshoremen's strike which has lasted five or six months. They have had an ergot problem in their dark northern spring wheat. These are valid physical reasons. However, they are not the kinds of reasons you explain to an electorate in a sensitive election year. The statistics are terrible. They are simply not responsive to the type of situation which Mr. Esdale has described to you.

Senator Sparrow: Can you give us an idea as to how the price of wheat this year compares to last year? Your report used to indicate the final payment statistics. However, I do not find this in your present report.

Chief Commissioner Vogel: Senator Sparrow, for a while the prices were considerably lower than they were last year, and they are somewhat lower now. We have succeeded in working them up somewhat, but whether we can maintain them or not remains to be seen. It depends on what happens competitively. The payments report very often appears in a supplementary report as the pool is closed out after the annual report is printed. However, in the report under review you will find incorporated in it the report on the closing of the 1970-71 Wheat Pool account with a surplus of \$75 million. This was paid out to farmers.

There was a loss in the barley pool of some \$10 million, and within the last week we have announced the closing of the oats pool with a surplus of about \$4.6 million and an average final payment to each producer who delivered oats of about 8½ cents a bushel. You will find those in this report, but the rest...

Senator Sparrow: They will be in the supplementary report?

Chief Commissioner Vogel: The rest will probably not appear in the supplementary report. We are so close to a new annual report that the rest will probably appear in the payments report in the next annual report.

Commissioner Kristjanson: Table 38 on page 54 shows the final payments made.

Senator Sparrow: That is for 69-70, not 1971.

Chief Commissioner Vogel: Yes. Exhibit No. 2 on page 68 shows the \$75 million surplus, roughly, that was in the 1970-71 wheat pool and which was the final payment. It is carried through to November 30, 1971. In other words, the wheat pool account was closed before this annual report was printed and, therefore, this report could not report on the final position, not just the July 31st position of the wheat pool account.

Senator Sparrow: Yes. I appreciate that had you raised the price you would probably have lost some sales. I assume that that is a very basic trading principle. However, is it possible that there is a happy medium where you could, in fact, have a higher price and sell somewhat less wheat, but the pool itself would actually end up with as much money? Of course, politically—and I say "politically" in the broad sense—the high volume is a great figure to use for sales, but would the greater sales benefit the larger farmer rather than the smaller farmer? Is there a relationship?

Chief Commissioner Vogel: There is a relationship, senator, and we are constantly aware of it. The science, if you like, of this type of merchandising operation is to achieve exactly that optimum level that you are talking about. We have on occasion, rather than taking drastic price action, passed up some business because its overall effect would have been harmful rather than helpful. Our job is to sell grain to the best advantage of the western producer. Hopefully, this will result in a final payment to the producer, though occasionally it results in a loss to the government. The one inhibiting effect we cannot have is that we cannot possibly be looking over our shoulder at the initial payment and say "Now, wait a minute; how is this going to affect it", because this would be the most harmful thing to do. We look at it exactly in the way you have described it—in the overall view. In other words, is it beneficial or is it not beneficial in point of view of both price and volume.

Senator Sparrow: Would you be in a position to give any indication of the possibility of a final payment for this crop year?

Chief Commissioner Vogel: It is too early to tell yet, senator.

Senator Sparrow: Are you optimistic at all?

Chief Commissioner Vogel: Prices were substantially lower. We do not like to make these forecasts. It would only be a guess, and it is really too early to make a guess.

The Chairman: Would it not be true that if there were no change of price—and let us make that assumption—there is a sufficient margin for a final payment?

Chief Commissioner Vogel: That is a fair assumption.

The Chairman: It is 19 cents above the initial payment, more or less.

Chief Commissioner Vogel: There are substantial costs though.

The Chairman: Yes, but not as much as 19 cents per bushel, I would think.

Chief Commissioner Vogel: No. Following your line of reasoning, Mr. Chairman, a final payment is indicated, but it will probably be lower than last year's.

The Chairman: Yes.

Chief Commissioner Vogel: That is in terms of wheat.

The Chairman: I do not know whether it is proper for a chairman to do so, but, if I may, I should like to ask a supplementary question on a detail about pricing. For many, many years Durum carried a premium as to price and this, along with other specialty crops, was very important for a substantial number of western producers. That premium no longer exists and on occasion I believe it is now at a small discount. In any event, this incentive to the producer of Durum is now gone. Could you make some specific comment on the outlook for Durum?

Chief Commissioner Vogel: In a way it is a pity that Durum is also called wheat. I cannot think of another name for it, but the situation would be clearer if it were called something else entirely, because in most markets of the world Durum is used for entirely different purposes than for bread. It is used for pasta production. The only exception to this is China where they still buy it alternatively with wheat. We believe in many cases they do use it for bread, although quite probably even they would try to use it for noodles rather than for bread. Therefore, whether you could get a premium for Durum, or whether the best you can do is sell it at a discount under the bread wheat, is a world apart from what the situation is necessarily prevailing. It depends on demand and supply for Durum, *per se*, in the world at that time. We are by no means ignoring Durum. I was in Italy myself for most of March—close to three weeks—for two purposes: firstly, to increase our sales of barley, and we have succeeded in getting Canadian barley into Italy in heavy volume where it used to be almost 100 per cent a market for corn; and, secondly, I went down to the southern part of Italy where we are most interested in increasing our participation in the Italian Durum market. It is a question of our varieties. Up until now the Canadian varieties have not been all that good. We had good bushel weight and good kernel size, but our colour was not good. The world markets are looking for a yellow pigment. The Americans have the colour, but they lack our bushel weight. Therefore, we had to come up with a Durum which would combine both qualities. We came up with a new variety called Hercules which is a vast improvement. It has a much better yellow pigment while still retaining the good bushel weight and the good kernel size. However, it is still far from ideal. There has been some criticism of the quality of its gluten. There are now new Durum improvements on the way which will be produced in quite some volume within the next two or three years. One of them being particularly interesting is of Chilean origin, of all places, and it is being produced by our plant scientists here.

The Chairman: Has it got a name?

Chief Commissioner Vogel: At the moment it is nameless.

The Chairman: The new one coming up is called Wascana?

Chief Commissioner Vogel: Yes, that strain is not much different from Durum. I am talking about something coming after Wascana. But this Chilean one, if and when it is achieved, if it proves to be suitable for Canadian conditions, will be almost ideal. It will have a tremendously high quality to it, a good colour and a good bushel weight and kernel size.

The Chairman: How does it yield?

Chief Commissioner Vogel: That remains to be seen, of course.

Senator Molgat: On the pricing question again, tied in with Dr. Kristjanson's statements about the American stocks and how important they are, on Table 3 in your last section on page 3, wheat production for Canada in 1970 is shown as dropping to about half what our average had been in the past. Was that as a result of the LIFT program?

Commissioner Kristjanson: Partly. As I recall the figures, the intentions to seed that year were known before the LIFT program was announced, and the farmers themselves had planned to seed 18 million acres. So it was partly a result of the producers' independent decisions to cut back and then that was reinforced by the LIFT program. We shifted acreage out. So it was about half and half.

Senator Molgat: Prior to that we were very concerned about the carry-over that we had.

Commissioner Kristjanson: Yes.

Senator Molgat: That situation corrected the carry-over, I presume.

Commissioner Kristjanson: Well, partly, and partly there was a tremendous increase in the export volume.

Commissioner Vogel: The difference in carry-over results as a combination of the circumstances just described means that, whereas just a few years ago we had a carry-over of around a billion bushels, we could easily be down to a wheat carry-over of about 350 million bushels one year from now.

The Chairman: It should not be much lower than that.

Commissioner Vogel: It is dangerously low even at that.

The Chairman: That is an important point.

Senator Molgat: Some of us were in Washington last fall talking to the Department of Agriculture people there. They were highly complimentary of the action taken under the LIFT program to reduce our carry-over. Are they at all prepared to have, or are they considering, any kind of program to alter their carry-over?

Chief Commissioner Vogel: They would claim that they have been doing that for years now. They have a tremendous amount of idle acreage and have been paying farmers not to produce. It was a long-standing argument in international meetings that Canada was not doing anything to curtail production while the Americans were doing it all. I do not have the figures in my mind of how

many acres are idle there, but they are idle practically on a permanent basis.

Senator Molgat: Is that not more in corn, though?

Commission Kristjanson: No, wheat also.

Chief Commissioner Vogel: We used to argue at such meetings that our quota system did the same thing, that it was a system of built-in self-discipline. We said that we did not have artificial production controls, that the farmer could produce what he liked, but he knew that unless there was a demand or market for it he could not deliver it and so the next year he would reduce his acreage. The proof of that happened in the year Dr. Kristjanson was talking about. The farmers had already reduced their acreage from 24 million to 18 million acres and it might well have dropped lower. There was a late spring that year, I should remind you. But in actual fact the Americans would say that in coming into the LIFT program we were only doing what they had done for years.

Senator Molgat: That is why they were so complimentary.

Chief Commissioner Vogel: Right.

The Chairman: One factor of the American program, as I understand it, is that an individual signs a contract to reduce his wheat acreage to a certain number of acres, and, therefore, this is a reduction program. After that he can fertilize or do anything he likes to double his production on the reduced acreage. Perhaps you might say to the Canadian farmers, the wheat producers, by decree, "Cut back your acreage by 25 per cent." But then, if they really concentrate on production of the remaining 75 per cent they might increase their total production. So that is a factor.

Chief Commissioner Vogel: I was in Japan at the time the LIFT program was announced. The Japanese could hardly believe they were hearing correctly when they heard that it was \$6 an acre. We said, yes, that it was \$6 an acre. They said, "We are paying \$400 an acre to take acreage out of rice." Of course, that was hardly comparable because they were talking about one acre per farmer.

Commissioner Esdale: Just as a matter of interest, Mr. Chairman, because the United States has had these policies of cutting back acreage over the years, they have suggested that if the EEC would adopt such policies and control production the price would look after itself. So it is just another element of each exporter taking a different route to pricing.

Senator Molgat: But there are continuing conversations going on in that regard?

Chief Commissioner Vogel: Yes, there are. In fact, Mr. Esdale will be in Tokyo just a week from now on this very subject.

Senator Molgat: On the subject of pricing, Mr. Vogel, I believe you said there is usually a final payment. If there is a short fall the government pays up the short fall, does it?

Chief Commissioner Vogel: They pay it to us, yes.

Senator Molgat: Is that then deducted? I mean do you pay it off the following year?

Chief Commissioner Vogel: No.

Senator Molgat: That is a straight contribution from the Canadian taxpayer?

Chief Commissioner Vogel: That is right.

Senator McNamara: Mr. Chairman, before leaving the question of marketing and price, would Mr. Vogel care to express the board's view on the new, revised Canada Grain Act with reference to the protein factor? Is it proving helpful to the board in its marketing efforts?

Chief Commissioner Vogel: Yes, Senator McNamara, it is. Its timing was just right. To have done it earlier would not have helped all that much; to have delayed it longer would have been harmful. Its timing was just about right. It has been well received. We have found that we can live with it. You will remember that there were very serious doubts whether the Canadian handling system—the handling of grain in volume and in bulk—could segregate grain to that extent. The missing factor so far, and it is one which has yet to be solved, is a scientific testing mechanism which will permit testing that will reflect back to the individual producer a premium for the higher protein which he grows. Of course, that is if there is a premium. There may not always be one.

At the moment, such a mechanism does not exist because there is still no scientific procedure simple enough and quick enough to determine at the country elevator level the protein content of what a producer has delivered. People have now suggested that perhaps you could do it just by the delivery point or by block. Maybe you could. Maybe eventually we will have to, but to do that would be an unhappy alternative, because, as those of you from the Prairies know, the difference in protein count between wheat north of a town and south of a town can be terrific. Just to pay it on the basis of the delivery point of the town itself could be a vastly unfair proposition.

Senator Sparrow: Mr. Vogel, some of my questions will be elementary because this is the first chance we have really had to discuss with you the broad scope of selling. We have been fortunate to have you before other committees, such as the Foreign Affairs Committee, with respect to certain matters, but this is the first time you have appeared before the Agriculture Committee. I hope you will bear with us if we do ask some rather elementary questions.

I should like to go back over the figure of 178 million bushels of wheat used for government storage under the Temporary Wheat Reserves Act. Where did the actual figure of 178 million bushels derive from, over which they would pay the storage at the end of the crop year?

Chief Commissioner Vogel: That goes back to about the year 1954-55. At that time it was taken as a reasonable carry-over figure. Senator McNamara could probably answer your question better than I can. It was taken as the reasonable carry-over figure as of that time, over and beyond which it should be considered as a national reserve and the nation should pay for it. Now the 178 million bushels of wheat was calculated as an average—the 15-year average up to that time.

Senator Sparrow: It was the 15-year average of what the carry-over was, as of July 31, up to that time?

Chief Commissioner Vogel: Yes, in commercial position.

Senator Sparrow: In commercial position. What is the total commercial storage facility in Canada then?

Chief Commissioner Vogel: Well, this is difficult to answer offhand. When you say "commercial," it also includes grain in transit, grain in boxcars and lake vessels and this can be quite a variable figure depending upon how much is under load at any particular time. But my colleague can tell you what the elevator position is and some of the in-transit.

Commissioner Kristjanson: The licensed capacity is 698 million bushels.

Senator Sparrow: Country and terminal?

Commissioner Kristjanson: Country and terminals both at Thunder Bay and the eastern positions and Vancouver and Churchill. The estimated maximum storage capacity is 645 million bushels, and the estimated seasonal working capacity is 565 million bushels. So you could get up to about 565 million for all grains.

Senator Sparrow: Wheat, oats and barley?

Chief Commissioner Vogel: Yes, and non-board grains too.

Senator Sparrow: Then, for last year the last amount shown here as paid was \$21 million. Is that for the 1971-72 pool account? Does it go into the 1971-72 account because it was paid after July 31?

Chief Commissioner Vogel: They pay it month by month. But we can get you that figure.

Senator Sparrow: It says here \$21 million in the 1971-72 pool account, and that was paid after July 31?

Chief Commissioner Vogel: It is divided between the two pools, and the amount shown would be what is going into the account.

Mr. Gordon Machej, Assistant Treasurer, Canadian Wheat Board: In the 1971-72 crop year the total to be received under the temporary wheat reserves was \$30.7 million, of which \$9.6 million went into the 1970-71 pool account and \$21.1 million will go into the 1971-72 pool account.

Senator Sparrow: Why does part of it go into the different accounts?

Mr. Machej: Well, you have two pools operating concurrently. As of August 1 the old pool is continuing while the new pool is commencing, and we prorate the funds raised under the Temporary Wheat Reserves.

Senator Sparrow: With the reduction in storage grain on hand in pools, on farms and in storage, and the sales, does it appear that there will be much more than 178 million bushels in storage this year?

Chief Commissioner Vogel: There will be more than 178 million bushels. But your phrase "much more" means a comparative figure.

Commissioner Kristjanson: As of June 7 this year there were 255 million bushels in commercial positions. The situation will not be greatly different as of July 31. It may up slightly from that.

Senator McNamara: I think you should make the point that the lower the commercial stocks are as of July 31, the less the government will be paying.

Senator Sparrow: That 255 million bushels in storage as of June 7, how would that compare with last year?

Commissioner Kristjanson: There was 319 million bushels last year.

Senator Sparrow: So, then, it will be less.

Chief Commissioner Vogel: Of course with seven train runs a week and the rate at which grain is moving out, this was to be expected.

Senator Sparrow: I have other questions, but at this time I should like to pass.

Senator Molgat: On the sales picture, credit is an important factor. Who pays the cost of the interest involved?

Chief Commissioner Vogel: The buyers. But essentially, I suppose, the answer is that there are two different types or categories of credit sale. In all cases interest is paid by the buyer, but there is the question of how much. In credit sales up to three years the credit is extended by the board itself. To do this, of course, means that we are operating under bank loans and we make every effort to get from the buyer an interest rate which reflects what we are paying and on the whole I would say we are successful to a reasonable degree. Sometimes it is up and sometimes it is down, but it is within a reasonable degree. There is another type of credit sale which goes beyond three years and which is considered to be non-commercial and which the government finances. Usually it is the type of sale to a developing country which cannot pay what you and I would call commercial rates of interest, and it involves a subsidization of the rate of interest. On that type of sale we as a board are paid out of cash and we are out of it, and the government finances it. Our agents will come to the government and say, "This is the lowest rate at which we can borrow money,"—and let us say it is 6 per cent or 7 per cent—and yet the buyer will say, "There is no way I can pay more than 3 per cent." Then the government will pick up the difference. Then the government picks up the difference and subsidizes the interest rate as well as guaranteeing the final repayment of the account. I may say that in the entire history of Canadian credit transactions on grain which now go back to approximately 1951 there has never been a default. In some instances payments were late, but they did come in and interest was paid on them. But there probably have been a similar number of instances where payments were made in advance rather than waiting for the due date.

Senator Molgat: But credit is a very important element.

Chief Commissioner Vogel: It is an extremely important element, and one of the features that has undoubtedly made possible the type of volume I have been describing was more liberal credit policies on the part of Canadian governments which make possible many of these sales which would not have been possible in earlier years.

Senator Sparrow: To expand on that, would you explain all the areas in which government policy itself affects sales? I say this with all due respect and with no criticism of anybody intended, but for a period of time we have heard the government taking credit for sales, and for another period of time we have heard the government giving credit to the Wheat Board for sales. Actually what area does the government itself cover in sales?

Chief Commissioner Vogel: Well, the government certainly has influenced sales by the credit policies we were discussing. Another area in which it has influenced sales is

through trade agreement negotiations which specifically include grain purchase commitments. Another form of major government contribution which does not quite fit your definition of assisting sales is the sale of grain to the government for the government aid program. The Canadian Wheat Board has sold substantial quantities to the government in an endeavour to aid various recipient countries.

Commissioner Kristjanson: Another factor is the hopper cars which are being supplied. This is an indirect contribution, but a very meaningful one. This will make additional sales possible. Last year we hauled grain from Thunder Bay to the St. Lawrence at additional costs. This was being shipped out of Quebec during the winter months. This has helped the congestion situation at Vancouver and it has made it possible to obtain additional sales out of the St. Lawrence.

Another indirect contribution is the diplomatic recognition of China. This has improved the atmosphere in which we conduct negotiations. There are many other ways which, while they may not result in direct sales, do contribute.

Senator Sparrow: Apart from the aid program, does the Government of Canada sell any wheat itself?

Chief Commissioner Vogel: We sell the wheat.

Senator Sparrow: Nobody else signs wheat sale agreements but the Canadian Wheat Board?

Chief Commissioner Vogel: No, when I say the board, I mean its agents as well. Sometimes we deal through agents.

Senator Sparrow: You broached the subject of hopper cars. There is some controversy about this. Will you explain to us what the 2,000 hopper cars are expected to do? The question I am asking is: Is this, in fact, a subsidy to the railway companies? Does it make their operation less costly?

Commissioner Kristjanson: It will help the situation in that it will be a net addition to the number of cars which are available to the grain industry movement. In other words, they cannot shift these 2,000 cars to another operation. I suppose you could argue it is a subsidy to the railway companies. If the government had not done this presumably the railways would have had to eventually buy this equipment themselves.

Senator Sparrow: Can I be more specific? Would not the rate be cheaper if you supplied your own cars and hired an engine rather than hiring an engine and boxcars as well?

Chief Commissioner Vogel: Yes, it would be cheaper.

Senator Sparrow: Would you explain this? Is not grain shipped cheaper when you supply your own boxcars?

Commissioner Kristjanson: There is definitely less cost involved. There are companies in the United States which provide cars, and the railway company provides the power and the rates on the rails. A specific agreement between the board and the railway company has not yet been worked out vis-à-vis the use of these cars. It is a little premature to be talking about arrangements regarding the utilization of these cars.

Senator Sparrow: All right, a deal has not been worked out yet. However, we expect a deal to be made whereby these boxcars will be made available for the movement of grain.

Chief Commissioner Vogel: No, Senator Sparrow. It is likely that the railroad companies will be moving our cars without charging us for the use of their diesels and their lines. If these cars are used strictly in western Canada we will be paying the Crowsnest freight rates for them.

Senator Sparrow: Would you extend that a little further? If you purchased boxcars and engines and hired men to run them, would you still be paying the same rate?

Chief Commissioner Vogel: No, we would have to obtain running rights over their lines.

Senator Sparrow: All right, even if this is the case, it does not seem to me to be a good deal.

Chief Commissioner Vogel: You are building your own railway by the time you do all these things. This has yet to be worked out. However, I think this is the way we will be proceeding. The government has indicated they are putting out the money and they have authorized us to get the show on the road, and this is the most important factor. Of course, our first step was to obtain tenders for the construction of cars and this is all that has happened. We have invited tenders. The specifications are very thick. By the middle of July tenders will be awarded for the construction of the cars, and some time between September and the end of December we will receive delivery of the 2,000 cars. These are our cars. The government is paying for them but they will be held in our name. What happens if one of the cars is wrecked or if we have a third party liability action? These matters have not been worked out yet.

Senator Sparrow: I am not criticizing the value of the 2,000 cars. However, in the long run the railways will never build another car as long as the government supplies them and they can charge the same rate.

Commissioner Kristjanson: If, in fact, there is no reduction in rate and no payment for the cars, I think it is a logical conclusion that this will be a subsidy to the railway companies. On the other hand, it is helpful to the producer because we needed these cars.

Chief Commissioner Vogel: And we need them "now". This does not rule out the strong possibility of the railway doing other things for us vis-à-vis certain other new types or grain handling, which Dr. Kristjanson talked about, under more favourable conditions than the other one could have done.

The Chairman: What extra export markets could these 2,000 boxcars supply added to the boxcars that you already have? In other words, what additional transportation of grains is involved if there is full utilization of these 2,000 boxcars for one year? Surely, that is what the farmer is looking to. He wants to know what this is going to do for him, and the good it will do for him is to make it possible to have greater exports.

Commissioner Kristjanson: When you are going flat out there are about 30,000 boxcars being used in the grain movement. Roughly 10,000 to the Lakehead under load; 5,000 to Vancouver under load, and I think you can double

that to get the total number of cars used for the movement of grain.

The hopper cars that are being ordered handle 3,000 bushels as opposed to 2,000 bushels being the capacity of the boxcars, so a 30,000 boxcar fleet equals a 20,000 hopper car fleet. If you add 2,000 to that, the theoretical answer to your question is that you increase the capacity by 10 per cent, but it is a theoretical answer because it presupposes that the limiting factor for total grain movement is the number of cars in service and that is not necessarily the case. There are other factors that impinge on it.

The Chairman: It is one of the limiting factors, however, or this action would not have been taken.

Chief Commissioner Vogel: That is right, but there are other factors. There is a situation on the west coast with respect to the marshalling yards, for example, where, suppose you need more cars, you could reach the point there where you would be compounding a problem rather than relieving a problem because of the necessity for greater yard space in Vancouver to handle these cars and to sort them out when they get there.

Senator McNamara: A supplementary to Senator Sparrow's comment. Would you not agree that if Canada is to continue to be successful in increasing its grain movements—both export and domestic—from 800 million to, say, one billion bushels, more transportation has to be provided?

Chief Commissioner Vogel: Yes.

Senator McNamara: And this action by the Canadian Government and the Wheat Board means that these cars are going to be ordered immediately and are going to be put into service immediately; whereas had it been left to the railways they would have tied up all the loose ends first and then perhaps a year from now we would have this extra transportation. We need more transportation for the next crop year, and this action by the government is getting this transportation, and it is now up to the board and the producers to decide how to use it.

Chief Commissioner Vogel: Yes. That is why I accented, in answering Senator Sparrow, the word "now". We need the extra transportation now. The railway would have gotten around to it in their own good time as their existing fleet started to drop out of operation. There is only one amplification to what Senator McNamara has said, and that is that in order to move, hopefully, from the 800 billion bushel mark to the one billion mark we need transportation, and I mean transportation in the broadest sense. Perhaps handling facilities, including transportation, is the key to such a size movement.

Senator McNamara: But this is something we need now.

Chief Commissioner Vogel: Absolutely right.

Senator Sparrow: Whose responsibility is it to maintain the best deal with the railways for the use of those cars? Is it the government's responsibility, or is it going to be your responsibility?

Chief Commissioner Vogel: It has been the government's responsibility up until now. The grains group of the minister responsible for the Canadian Wheat Board, the honourable Otto Lang, has conducted the negotiations. We have had our people present, of course, to protect the interests

of the board and to see that nothing is done that is contrary to the board's policies. I suppose the answer to your question is that, as it reaches its final form, this will continue to be almost trilateral negotiations comprising the grains group, the railways and the board.

Senator Sparrow: These hopper cars that have been purchased, are they for the use of grain only, or will there be two-way movement?

Chief Commissioner Vogel: They are for grain only. If they are used for anything else the agreement will have to include a leasing charge back to us.

Senator Sparrow: Can they be utilized for other products?

Chief Commissioner Vogel: I suppose they could be if we did not need them, but if they are, then we want to be paid for it.

Senator McNamara: The point is that the hopper cars can be used for other things.

Chief Commissioner Vogel: That is right. These hopper cars for the movement of grain are different than the hopper cars for the movement of potash. Potash hopper cars could be used for grain, but they are not perfect for the movement of grain. These cars are designed specifically and particularly for the movement of grain in the way they are loaded and unloaded.

Senator Sparrow: So they may not be very useful for other products? They could not be used for the movement of cattle, for example?

Chief Commissioner Vogel: No. My guess is that they could be useful for other bulk products, but with some disadvantages, in the same way that potash cars can be used for the movement of grain with some disadvantages.

The Chairman: I am in the hands of the committee, but we could have more general questions or we can take the Wheat Board report section by section. I think we have to judge our progress with an eye to the clock. We should also bear in mind that we now have before the Senate Bill C-204 which, when passed, will have an effect on the Canadian Wheat Board operations.

We might wish at a later stage to get some general comment from the board as to what the problems are the bill is designed to deal with. The gentlemen appearing before the committee have reservations for a flight west later today. If we did require their assistance after this meeting perhaps we could get a motion through the Senate to sit while the Senate is sitting, so that we could meet again at 2.30.

One area I thought we might get into, if the committee is agreeable, to get some comment from Mr. Vogel, is just a bird's eye view of the major problems that may face the board in future operations so that this committee may consider what areas it might look at. I have had private telephone conversations with Dr. Kristjanson and others in Winnipeg, but I personally would like some comment from them as to theoretically what might be done to improve facilities at Vancouver, in addition to what has already been said; and just a brief comment, perhaps, on the problem with respect to the country elevator system and the gathering system.

I am sure this committee wants to do a proper job, and we want to look at some of these problems. We have the

time, and I hope we will have the facilities. We do not want you to give us solutions, but to give us a picture of the problems and what some of the solutions might be.

If that is agreeable to the committee, I would ask that general question and see what comments we might get.

Chief Commissioner Vogel: Well, basically, looking to the future, Mr. Chairman, a great many of these points have already been touched on. In geographical sequence, first of all, looking at the problem out in the country there is a continuing study, of course, which is in the government's hands, and now in the Canada Grain Council's hands, with respect to the country elevator system itself. There are experiments with the terminating quotas which have worked well. There have been problems, some of which we are trying to correct in the bill which is now before the Senate to improve the situation out in the country.

If I might refer to the bill for a moment as it relates to the country end of it, the bill really breaks down into three different categories. One category is what I would call the housekeeping category. It was, for example, necessary to define quota acres because of the concept I mentioned earlier of assigning quota acres. It was necessary to be more flexible with respect to grade names, instead of, for example, spelling out No. 1 Manitoba Northern the way the old act did. It was also necessary to empower us to make different payments for different qualities—for example, different protein levels within a grade, if and when that time comes and it is possible for us to do so. We could do none of these things under the old act. It was also desirable to permit us, where circumstances made it necessary, to extend deliveries into a new crop year, where some farmer had not been able to deliver in the old crop year, and still apply it back in the old pool, which is not something we could do under the old act. These are housekeeping items. That is the first category in the bill.

The second category you will have noted will be that it makes it permissive on the part of the government to change the initial payment basis for oats and barley from Thunder Bay only, as it is under the old act, to Thunder Bay or Vancouver, as it is for wheat.

The third category in the bill, which relates to improvements out in the country—and this is what we are talking about: improvements in the system—has to do with quotas, the enforcement of quotas and the penalties. There has been criticism out in the country by the major farm organizations about the enforcement of the quota system. They tell us that the quota system they now have is the best they have ever had but that it has to be enforced more stringently. After all, for a farmer to deliver an additional 5,000 bushels of grain and then to be fined only \$1 or \$5 or \$50 is a farce.

The Chairman: Has that happened?

Chief Commissioner Vogel: It has happened. Moreover, those 5,000 bushels are delivered at the expense of other farmers who are then not able to deliver because the first fellow over-delivered. In a very high percentage of these infractions, I suppose 90 per cent or even higher, it is almost like a parking ticket. Almost all of them plead guilty. An objective of the new legislation is, therefore, to simplify the procedure. If a person knows he is guilty, and so often it is an open and shut case, the matter just rests there like a traffic ticket matter. If the person wants to contest the case, it is left open to him to contest it. The

same sections, however, also step up the penalties with respect to both the producer and the elevator which takes in the grain illegally.

These improvements have to be made looking to the future.

The next thing that has to be looked to in terms of the future is the nature of the Pacific facilities. We have already discussed that and, as Senator McNamara said, many of these are long-range facilities. It is not only a question of storage facilities. The yards are also very important. You have to bear in mind the great step-up of the movement of grain through the west coast that has taken place simultaneously with the tremendous, major step-up in the movement of all traffic through the west coast, including industrial goods and everything else. What is needed is a major reassessment of the Vancouver situation on a national basis in the same way as the St. Lawrence Seaway was once looked at. It is the same level of problem.

Again talking about the future, none of what I have said, either at the country end or at the receiving end, is effective unless the grain can be moved from one place to the other. The connecting link is important. It is not only a question of cars and diesel power; it is also a question of winter conditions. We are always going to have winter conditions; sometimes better, sometimes worse. This past winter was the worst winter in history in the mountains. The previous winter was a reasonably bad one, but the railways managed to get their cars through quite well for us. Unfortunately, that year we were plagued by a labour-management dispute on the railroads and we suffered again, although in a different way.

But, over and above those things, we think what is needed, and the railways admit it themselves, is a very careful review of the railroad lines through the mountains. No one is saying that new railroad lines should be built, but we think, and the railroads agree—in fact I have been told by one of the railroads—that much more can be done than has been done to date to reduce the hazard of snow slides and mud slides and so on. Certain steps can be taken higher up the slopes to divert these slides into ravines or into valleys thereby keeping the slides away from the railroad lines.

These are the kinds of things we have to look to in the future in order to be able to take advantage of the billion-bushel type of year Senator McNamara has mentioned.

Remember, I am still talking in terms of volume. Hopefully, by that time prices will be better, but that is something none of us can foresee.

The Chairman: I have spoken on this topic once or twice in the house and I have had a long conversation with Dr. Kristjanson about hopper cars, terminal facilities, and so on that was most helpful. But one thing sticks in my mind. Thinking in terms of rough figures only, the terminal facilities at the Lakehead are in the neighbourhood of 100 million bushels, while in Vancouver they are in the neighbourhood of 25 million bushels. And yet, really, you are trying in a sense to get as much grain out of Vancouver sometimes as you are through Thunder Bay. Knowing nothing else about it, it seems to me that the terminal facilities in Vancouver are not adequate. It may be that other things are not adequate as well, but certainly the terminal facilities would seem to be inadequate, and yet I do not see any move by anybody to increase those terminal

facilities. Is this really a problem that might have some specific study?

Chief Commissioner Vogel: It is having specific study right now. In itself it is not the solution, if you follow what I mean.

The Chairman: I am not saying that it is, but it is part of the solution.

Chief Commissioner Vogel: Yes, it is part of the solution.

The Chairman: Can we live with just the terminal facilities we have or do we need more, along with more boxcars, hopper cars and so on?

Chief Commissioner Vogel: We need more storage space at Vancouver in order to have a backlog there so that if conditions in the mountains are hopeless and nothing can get through there is a larger reserve in Vancouver. You may recall that in my opening remarks I said the existing terminals in Vancouver show that in one day they could unload 957 cars.

The Chairman: Certainly I am not an expert in this matter, but it seems to me that you have to turn your facilities around in Vancouver about once every 15 days, and if some little thing goes wrong in this well-programed system you end up with a mess at Vancouver because you have 15 days' supply going through and it should be at least 30.

Chief Commissioner Vogel: You are right, but remember that the maximum grain movement in Vancouver is something in the neighbourhood of 30 million bushels a month while at the moment we are moving out of Thunder Bay—we did it in May and we will do it again in June—somewhere between 70 million and 80 million bushels a month. We are turning them both over once a month.

Commissioner Kristjanson: It is definitely true that from a merchandizing point of view it is necessary to have additional storage capacity in Vancouver. We talked about the need for surge capacity. Hopefully the railways will take corrective action concerning snow slides and mud slides, because we know from history that there are interruptions in grain movement, and from a merchandizing point of view it would be extremely useful to have 20 to 30 million bushels of additional storage space at the west coast which could ride you over a period of 15 or 30 days of interruptions in grain getting out to the west coast. Of course I should point out that it is easy for the Wheat Board to say this because we do not own the facilities, and the people who put up the capital have to take into account whether or not this is going to be an economic proposition. There is no doubt from our point of view that while it is good for the western farmers, it does not necessarily mean that strictly from a dollar and cent point of view it is economical for the individual company or the individual co-operative.

Chief Commissioner Vogel: Perhaps there could be cheaper form of storage. Perhaps the cleaning could be done at the existing terminal during slow periods and then it could be shifted alongside for storage purposes. But there is no question as to the need for additional storage.

Commissioner Kristjanson: You also asked what changes are required to meet this billion-bushel target, and I do not think anyone will argue that there is a requirement for a

rationalization of the country elevator system, and this is coming. But there is great debate as to the degree of rationalization ranging from the status quo to 20 interior terminals. Whatever is done the primary concern should be the cost of moving the grain from the farm to terminal positions. Many people ignore the fact that if you have fewer country elevators, then the cost of getting the grain to the elevator goes up and you write this off in the name of efficiency, but the rationalization, when it occurs, should take into account that the additional cost to the producer is what counts.

The Chairman: I think this is very important. As I see it, Mr. Lang, the minister responsible for the grain industry, and the government generally are quite sympathetic to action being taken to solve these problems. They have done it in connection with the hopper cars, and I feel that the opportunity may be there for some real action as far as extra space at the west coast is concerned, if everybody decides that this needs a little extra push; and this, in my opinion, is what this committee might well do. This is something that I hope will take place. I notice now that Senator McDonald has jointed us. Unfortunately he has had other engagements which prevented his arriving earlier.

Senator McDonald: Mr. Chairman, I want to apologize for being late, but unfortunately I cannot attend two committees at the same time. Perhaps some of the questions I would like to ask have already been asked and answered. I wonder if the board could give us any indication of what the balance of this crop year, that is until July 31, holds with respect to additional quotas for wheat and rapeseed?

Chief Commissioner Vogel: Since we are already after June 15 so far as wheat is concerned, it is quite likely to hold at the nine-bushel per assigned acre level. It might be a little premature and perhaps a little foolhardy to make that as a definite statement yet. So far as rapeseed is concerned, I cannot give you any definite information because it is not moving that actively. It is not a board grain. There will be a fair carry-over of rapeseed. Apart from the small problems we are having with domestic crushers we have had no suggestion at all from the companies who handle rapeseed with respect to an increase in the rapeseed quota. But whether that will come between now and the end of July or not, I cannot tell you.

Senator McDonald: I realize you are not the marketing agency, but you do set the quota.

Chief Commissioner Vogel: We do.

Senator McDonald: The present quota, I believe, other than for deliveries to domestic mills, is 10. Is there any chance that that quota will get to 20?

Chief Commissioner Vogel: I think it is most likely.

Senator McDonald: Talking about rail line rationalization, I was wondering for the most recent year what the total country elevator receipts were for prairie wheat?

Chief Commissioner Vogel: In the report which is before you for 1970-71 that is included in the statistical table IV at the back.

Commissioner Kristjanson: To date the producers have delivered 754.7 million bushels.

Senator McDonald: Could we take it for the year 1970-71 which is a full crop year? Could you tell me the number of country elevators licensed in the year 1970-71?

Chief Commissioner Vogel: It was about 4,200. It used to be around 5,000 but it has gone down considerably. I am referring now to elevators, of course, and not just delivery points.

Senator McDonald: That is the total number of elevators and from that I can get the average receipts. Now, with respect to costs, what were the carrying charges on wheat for the year 1970-71?

Mr. C. E. Gordon Earl, Executive Director, Canadian Wheat Board: That is to be found in Exhibit II, senator, on page 68.

Senator McDonald: Is there a figure in this report? I am sorry, Mr. Chairman, I have not had an opportunity to study this report as I would like to have studied it. Do you have the total cost for marketing a bushel of wheat in the year 1970-71?

Chief Commissioner Vogel: For the 12-months period?

Senator McDonald: I would like it for the 12-months period.

Chief Commissioner Vogel: No, we do not have that figure.

Senator McDonald: Do we have the figure for a period in excess of 12 months?

Chief Commissioner Vogel: Yes. You are not talking about Canadian Wheat Board administrative costs only, but the total cost?

Senator McDonald: If we can obtain the Wheat Board costs from you—

Chief Commissioner Vogel: The Canadian Wheat Board administrative costs are in the report. The portion pertaining to wheat was around \$3 million. On page 52 it indicates a per bushel cost of .9519 of one cent.

Senator McNamara: This is the administrative cost. This does not include carrying charges.

Chief Commissioner Vogel: No, this is our administrative costs.

Senator McDonald: This is considerably higher than it was 10 years ago.

Chief Commissioner Vogel: Yes, it used to be one-half to three-quarters of a cent. It has gone up. Costs generally have gone up, as have salaries. We are handling a greater volume of grain. And we are using one of the largest computer installations in Canada which runs 24 hours a day, seven days a week. As a result we have kept our staff down to around the same number which we would not have been able to do otherwise. But certainly the costs are up.

If you look at page 50, in the right-hand column, the carrying charges are also worked out for you.

Senator Sparrow: It seems to me there is a misprint on page 50 in connection with the carrying charges—at least, I

hope it is a misprint. It says the rate of carrying charges is ".0547 cent per bushel per day." This would hardly be the correct figure.

Chief Commissioner Vogel: The figure is .0547 cent per bushel per day, yes.

Commissioner Kristjanson: That is .05 of a cent per day.

Chief Commissioner Vogel: It is a half of a cent.

Commissioner Kristjanson: No, it is one-twentieth of a cent.

Senator Sparrow: That is fine, thank you.

Mr. Earl: It is 1½ cents per month.

Senator Sparrow: Do the elevator companies prefer to handle grain or store it? And can you compare the costs?

Chief Commissioner Vogel: I think you should ask the elevator companies that question. I would say they are much happier when they are handling grain rather than storing it.

Senator Sparrow: How are they paid for handling it?

Chief Commissioner Vogel: If you are referring to country elevator companies, we negotiate a handling agreement with them each year and this rate includes not only the physical handling of the grains, but the paper work as well. They are doing this as our agent and we pay them a storage rate of 1/30 of a cent per bushel per day.

Senator Sparrow: All right, how much do you pay for handling, and when does storage come into play?

Chief Commissioner Vogel: It comes into play for the duration of the time it is in storage in their elevators. Apart from the storage charge, the handling charge is something we negotiate with them every year. At the moment it is 5¼ cents per bushel.

Senator McNamara: Mr. Chairman, I think the point we are trying to make is that the producer pays the handling charge at the time of the delivery because it is deducted from the initial price.

Chief Commissioner Vogel: He receives the Thunder Bay or Vancouver price, less the freight and handling charges.

Senator Sparrow: How does this work out when, in theory, the elevator may be empty one day and within a few days it is full? Do you take an average monthly storage figure?

Mr. Earl: This is based on two things, one is the cost for storing the grain, and the other is the interest on the money paid to the producer for our account. We combine this in what we call country carrying charges. This is paid on the basis of the stocks in storage by the company at the end of each month. As the grain is shipped to the terminal we take over the financing and terminal storage commences. This continues month after month.

Chief Commissioner Vogel: I think the question was: is this based on what is in the terminal at the end of the month or is it calculated on what is there during the entire month?

Mr. Earl: It is calculated on what is in storage over the month, the average stocks in storage.

The Chairman: Gentlemen, we have not dealt with the report yet, and I think we should endeavour to do this. I think we should also give further consideration to Bill C-204. My suggestion to the committee is that we might adjourn now and reconvene at 2.30 this afternoon, subject to approval by the Senate. I think we will have time to hear from the Wheat Board officials and still allow them to get away in time.

Senator McDonald: You mentioned, Mr. Chairman, that we would adjourn subject to approval by the Senate. I do not know whether the Senate will grant that approval, but we will know shortly after 2 o'clock. I would hope we would get approval to sit.

Senator Molgat: I can hardly see Senator McDonald turning down a request from the Agriculture Committee in its first meeting.

The Chairman: We will adjourn now and reconvene at 2.30 p.m., subject to approval by the Senate.

The Committee adjourned.

At 3.15 p.m. the meeting resumed.

The Chairman: The first item will be to continue the general discussion of the annual report of the Canadian Wheat Board. Bill C-204 was referred to this committee by the Senate this afternoon. I have been informed that, if he can complete an appointment which he has following the Orders of the Day, the Honourable Otto Lang should be here at about 3.45 p.m. Miss MacDonald, of the Department of Justice, is here to give us any information she can when we reach Bill C-204.

We will now continue with the discussion on the Canadian Wheat Board report, and I hope we can conclude it by 4 o'clock, when these gentlemen have to leave. If the minister comes in just before 4 p.m., we will try to wind up this part of it quickly and proceed with Bill C-204, if that is agreeable to the committee.

Are there any further comments arising from our discussions this morning?

Senator Lafond: I have one arising out of several things that were mentioned this morning. It seems to me that some years back the opinion was expressed somewhere—I cannot recall from which source—that some thought should be given to the possibility of stockpiling grains in positions abroad. I understand that the last three or four years have been unusual and may have been conducive to shelving that idea. I should like to ask whether the idea has merely been shelved, or has it, for other reasons, been rejected?

Chief Commissioner Vogel: Until now, senator, it was shelved for commercial reasons, mainly because it is considered to be very unsound business practice, and creates a weak bargaining position, to have grain unsold in a position on the other side. This has happened to people on occasion—not to the board, but to people who have bought from the board. They have invariably found themselves at the mercy of one or two buyers who know very well that the grain is there, who know equally well that it is not going to be shipped back, and therefore sit and wait until they can pick up a bargain. For this reason, to have grain in what we call "out of position" is considered to be a very dangerous tactic.

That describes the past and the present. It might be that in the future this could change. I am thinking, for example, of a port like Rotterdam, which is a major trans-shipment port for all of western Europe. It is conceivable that some day grain could be put into a port like Rotterdam. You would not be at the mercy of just one or two buyers. Neither could be sure that you were at his mercy, because it could be trans-shipped from there to a multitude of places. The tendency in that direction might be further heightened by the fact that ocean-going vessels are getting bigger and bigger. Ocean-going vessels carrying 100,000 tons of grain are not unheard of, and vessels carrying up to 300,000 tons of grain are now planned—say, 10 million bushels of grain in one cargo. When that day comes, the economies of such a movement would represent a tremendous saving, but there could be a quantity of grain much too large for any buyer or any group of buyers at one time. Yet the economies of the movement might make it worthwhile to consider, assuming a risk of the type I have described, which, by that time, might be lessened because of the trans-shipment possibilities from Rotterdam. I hope that answers your question.

The Chairman: Are there any further questions? I myself have one that I should like to ask. It relates to my own specific marketing point. There have been quotas for No. 2 C. W. Durum, as I understand it, but very few cars come along for 2 C.W. Durum. They are in a very, very tight position, and some of these quotas are scheduled to be quickly discontinued. They need a lot of cars. They have already been in touch with the Wheat Board, and the board is doing its best. My question is that with the passage soon of Bill C-204 and the possibility of extending quotas, et cetera, is it really the idea of the board that during the current crop year every producer should have the opportunity of delivering his full quota of the various grades of grain which he may have on hand?

Chief Commissioner Vogel: That is certainly our objective, and we will do our utmost to achieve it. If we cannot achieve it, we will have to face up to the problems that may arise at that time. Perhaps, as you say, if Bill C-204 goes through, this is one way of achieving it.

The Chairman: With regard to the cancellations that are imminent, is that rigid?

Chief Commissioner Vogel: No, because the whole philosophy quotas has to be based on the assumption that there is space to take them in; otherwise the whole thing falls through. We have looked at specific cases throughout the year with sympathy, and have made exceptions. I must say, though, that comments made in the agriculture committee of the other place, with whom we met yesterday, and your remarks with respect to Durum do not reflect in a major way the opinions that we have been getting in Winnipeg.

The Chairman: Farmers tell me that up until, say, a week ago, or whenever there was a quota, they could bring in their grain and get it unloaded quite conveniently. Now they have been sitting in front of the elevator for a day at a time, and the farmer complains of the economics of his sitting in his truck for a whole day when he should be out spraying his crops. If he knew that positively the opportunity would come, if not today, then two or three days from now, it would be of great help. Your assurance will be most satisfactory to them.

Commissioner Esdale: The barley quota, which was in effect for three weeks, was a case in point, where it was impossible for farmers to get in the quantities which they had deliverable during that period. Recently we extended it another week to relieve their minds. We are speaking here of farmers' income, and therefore we extended it for one week. We will look into the current situation, which we had not heard about until we arrived here. When we arrive back in Winnipeg tomorrow we will look into it. I can assure you that the same kind of mental approach will be taken if there is not space for farmers to deliver their grain.

Senator Norrie: Can you give me figures on the quantities of grain that go down to the four Maritime Provinces? Is it in the manual?

Chief Commissioner Vogel: I do not think it is, province by province, but we will look that up for you. We think that the annual report of the Canadian Livestock Feed Board does give it. We do not have it with us. I have a bi-weekly report of the Canadian Livestock Feed Board, but it does not break it down to that degree. Our own report shows movement through Atlantic ports rather than—

Senator Norrie: I am interested in the individual provinces.

Chief Commissioner Vogel: Yes.

Senator Benidickson: Mr. Chairman, I am a newcomer to this committee. I did not realize I was a member of it until I saw the notice last week.

The Chairman: We are a new committee.

Senator Benidickson: So we have a lot in common. I was in Vancouver about the first of April en route to China. Senator McNamara had briefed me on his earlier trips there, but I took a day off to get some information about our grain trade with the Orient. I believe in one of the memos given to me it was stated that there was a shipping tie-up which might be as long as 24 days. Would that be correct?

Chief Commissioner Vogel: For a period during the winter months when the movement of grain through the mountains was seriously delayed due to the heaviest snowfall in history we did experience some delays of that duration.

Senator Benidickson: I was told that there were ships in the harbour that, on the average, were delayed, I think, more than 20 days.

Chief Commissioner Vogel: Not on the average, no. That would be the extreme.

Senator Benidickson: I have given you the date I was there. To what extent has that situation changed since that time?

Chief Commissioner Vogel: That situation cleared up very rapidly after the snow conditions eased. Not only was the backlog cleared up, but, in fact, we are now ahead of the schedule on shipments. Dr. Kristjanson just came back from Peking where he not only negotiated a new contract which, I am sure, you are aware of, but also arranged for

the speed-up of shipments because of the rate at which grain is now moving.

Senator Benidickson: I am not probing for the sake of controversy, but only as an interested person. In fact, I was assured that we had good deliveries to China.

I have read, to my pleasure, that you have negotiated a new agreement. There are two points I wish to raise with regard to facilities. While I was away various people involved in the grain trade have come up with new planning both with respect to railways and terminal facilities, and so forth. First of all, I have read since my return of a dispute concerning enlarging the utilization of Prince Rupert. Is it pertinent to your report to ask a question in that respect?

Chief Commissioner Vogel: We are using and have been using Prince Rupert to the maximum of its present through-put capacity. I do not mean storage capacity. We are not interested in putting grain in storage. Our interest is in the movement of export grains. We unload cars at Prince Rupert every day at a rate consistent with their ability to handle them. Once we see that we are getting close to accumulating a full cargo we nominate a vessel for that port and this is done, perhaps, four or five days ahead of time. In other words, we take the calculated risk that by the time the vessel arrives the quantity will be complete for her.

There are, however, improvements being made at Prince Rupert in the grain terminal mainly by way of equipment, electrical and mechanical work, which will speed up the rate of unloading and the efficiency in the handling. When these improvements have been completed we will be able to utilize that port to a much greater degree than we are now.

There are many vessels, of course, which do not want to go to Prince Rupert because they are coming in with inward cargo destined for Vancouver.

Senator Benidickson: Because of the railway connections?

Chief Commissioner Vogel: No. They are bringing in an inward cargo and to go to Prince Rupert to pick up the grain is not something that they gladly take on. However, other vessels coming in empty do not care where they go; it does not make any difference to them. For example, the Chinese vessels and, to some extent, Russian vessels coming in empty do not hesitate at all to us giving them a Prince Rupert nomination.

Senator Benidickson: You referred to Chinese vessels.

Chief Commissioner Vogel: I mean Chinese chartered vessels.

Senator Benidickson: Yes, and the chartering is in the hands of the purchaser?

Chief Commissioner Vogel: In this case, the Chinese do their own chartering. To a lesser extent they use their own flag vessels. A few Chinese flag vessels come in, but, generally speaking, the Chinese charter foreign flag vessels.

Senator Benidickson: The terminal transaction is Canadian?

Chief Commissioner Vogel: Yes.

Senator Benidickson: And you, representing the government, and the western farmers, attempt to get the best possible deal from the private owners of terminals?

Chief Commissioner Vogel: That is right. We attempt, in negotiations with the country elevator companies, to get the best possible agreement whereby they will handle more grain for our account. With respect to the terminals, the Board of Grain Commissioners sets the tariffs which we pay. Again, we try to get the best possible deals for the purchaser.

The actual sales negotiations, of course, are with the buyer, and in most cases our responsibility is to have the grain in the terminal for his freight to pick up.

Senator Benidickson: But when we have a strike in Canada that affects the loading, that is our risk, is it not?

Chief Commissioner Vogel: If it is a strike of grain terminal workers, then it is on our end and is at our expense, with the exception of some minor instances. However, if it is a stevedore strike it is more likely to be at the expense of either the vessel owner or the buyer, depending on the terms of the charter of the vessel. Our answer in a situation such as that would be that the grain is ready to be picked up but they cannot get their vessels alongside in order to do so.

Senator Benidickson: I think it is important that we know just where the risk lies. The contract involves a gamble.

Chief Commissioner Vogel: That is correct. The risk you and I are talking about is the monetary risk and where it lies, but whether it is a stevedore strike or an elevator workers' strike it does nothing to improve our image with the buyers who are still waiting for their grain and, perhaps, in dire need for the grain which they cannot get.

Senator Benidickson: I compliment you and your predecessors for the grain trade which we now enjoy with China and others, initiated, of course, by Senator McNamara.

What is your opinion regarding your last contract? Shall I say I do not think it is quite as large as I thought it might be.

Commissioner Kristjanson: I do not know whether we should answer this question. We were working on a contract for delivery of grain from last January to the end of next December. They invited us over, which is unusual in that normally the next negotiation would take place in October or November, just prior to the expiration of the current contract. They wanted a speed-up of the shipment to ensure supplies for the winter months. So this sale was in addition to the existing contract and they wanted a speed-up of the existing contract.

Senator Benidickson: They wanted firmness. Did the troubles which took place in Vancouver last April and earlier have anything to do with the fact that your new contract is not quite as large as it might have been?

Commissioner Kristjanson: No, we are talking about a new sale.

Senator Benidickson: I am not criticizing you. I am a greenhorn.

Commissioner Kristjanson: No, I think it would be more correct to say that in the last negotiations they underesti-

mated their requirements and this is a supplementary to the current contract. We expect to be negotiating with them this winter for a full 12-month period.

Chief Commissioner Vogel: In fact, senator, the combination of the present contract and the new contract which overlaps the current contract, and which will also be shipped before the end of December, gives us the largest year in Canadian history.

Senator Benidickson: You have probably said this at an earlier meeting.

Senator Sparrow: This morning we talked about a carry-over and you made reference to a figure of 350 million bushels. What do you suggest is a safe carry-over at the end of a year?

Chief Commissioner Vogel: First of all, the figure of 350 million was more or less pulled out of the air as a possible amount of wheat carry-over. There are a lot of "ifs" involved in this matter. We do not know what this year's crop will amount to, but assuming an average production I personally think this figure of 350 million is about right.

Commissioner Kristjanson: Yes, or 400 million.

Chief Commissioner Vogel: Yes, or 400 million. This is just about as low as you could safely contemplate.

Senator Benidickson: This estimate is high?

Commissioner Kristjanson: It compares with one billion bushels a few years ago.

Senator Benidickson: It is a low estimate then.

Senator Sparrow: When you talk about a carry-over, you are referring to a farm carry-over.

Chief Commissioner Vogel: I am talking about the total carry-over.

Senator Benidickson: We were not talking about the same thing. I was talking about sales.

Chief Commissioner Vogel: No, we are talking about carry-over.

Senator Sparrow: What is the lowest figure the carry-over has been in the last 10 years?

Commissioner Kristjanson: The figure was 420 million in 1965-66 and 391 million in 1961-62 which was a drought year.

Senator Sparrow: It is somewhat confusing to read the report. It refers to units of measurements which change from bushels to metric tons. Is there a reason for this? It would be much simpler if you put all of the figures in metric tons.

Chief Commissioner Vogel: Senator Sparrow, the Canadian Wheat Board would have been happy to have changed to the metric system sometime ago but there was great opposition in other quarters. However, now there appears to be great support for it and, in fact, the government has appointed a committee headed by the retired executive vice-president of the Canadian Pacific, Mr. Gossage, in an endeavour to implement this system. It would be much simpler if we were dealing in tons which is the international measurement instead of bushels because the word "bushels" is meaningless. If it refers to wheat it is 60

pounds, while barley is 48 pounds, and oats is 34 pounds. Then there is the measured bushel for a bushel of wheat as compared to the standard weight for shipping purposes. This is very confusing.

Senator Sparrow: My point is: Why does it show bushels in one place and metric tons in another?

Chief Commissioner Vogel: Usually because the table quotes a certain source and it is a question of how it is described in that source. Most Canadian statistics are given in bushels while international statistics are given in tons.

Senator McNamara: With regard to Senator Sparrow's observation, I would tend to disagree. There are many producers in western Canada who think in terms of bushels and I would hate to see the Canadian Wheat Board deal only in metric tons.

Senator Benidickson: May I say that for a great many years I agreed that statistics should be given in terms of tons. At one time I was supposed to study some of these matters. I was a member of the Opposition then, the only western member of my party. I repeat I was a greenhorn. I was supposed to calculate what this amounted to in dollars and in bushels. If we move towards the metric system we will all need to be educated along these lines. But as a western politician, if I may call myself one, I spoke in terms of bushels, and not in terms of tons.

Senator Sparrow: I agree with Senator McNamara, and I think both figures should appear, which would save us western farmers from calculating the amounts.

Chief Commissioner Vogel: I do not think there is any argument here. I think this is happening. The conversion is taking place. It will require a long education program and it will not happen overnight, nor will the farmers accept it overnight. It will occur gradually; but it will eventually occur.

Senator Yuzyk: Does the Canadian Wheat Board have any problem selling certain grades or varieties of grain? There is a hard grain with several varieties and there is also a soft grain.

Chief Commissioner Vogel: Senator Yuzyk, you have more trouble selling some types than others. Sometimes it is difficult to sell lower grades, even of the so-called "Manitobas" for bread wheat, depending on the damage which has been suffered and which resulted in the lower grade. Sometimes it is difficult to sell Durum wheat as distinguished from bread wheat because the world may have a glut of Durum wheat at a time when it does not have a glut of bread wheat.

It is difficult to sell more than a limited quantity of soft white spring wheat which is essentially grown in the irrigated area of Alberta. There is a good demand for a limited quantity of it for domestic biscuit-making purposes, but if too much of it was grown and it had to compete with soft wheats from other parts of the world, that would create a problem. The same argument could also apply to Alberta winter wheat. There is much winter wheat produced in the world, much of it with much higher yield than ours under highly-subsidized conditions and it can be, if it does accumulate, a difficult product to dispose of.

Senator Yuzyk: There must be a demand for certain types more than for others. Are we generally meeting these demands?

Chief Commissioner Vogel: Yes, we are. Essentially, the demand is for our quality wheat. Our quality wheat is still our No. 1 selling factor.

Looking ahead to the future, one expanding field is that of feed grains. We have been doing better in barley, as you know. This also could be very well utilized if we had a better feed wheat. It would have to be a higher-yielding feed wheat, because it would bring a low price and to pay the farmer to grow it it would be necessary for him to get a better yield per acre. All these aspects are being worked on at the moment.

Senator Yuzyk: Do you have storage problems as a result?

Chief Commissioner Vogel: A multiplicity of grades leads to a multiplicity of storage problems.

Senator Yuzyk: How do you resolve it in the end, if you have too much of a particular type of grain? Do you dissuade farmers from delivering?

Chief Commissioner Vogel: Dr. Kristjanson suggests the answer is "price". I suppose it is the eventual answer.

Senator Benidickson: Where do we stand on the International Wheat Agreement in respect of price?

Chief Commissioner Vogel: At the moment there are no price provisions in the agreement. It is strictly a competitive selling market. But price is a word that can have two meanings. You can discourage production by means of the initial payment, but you can also, by means of the selling price, find a level such that the product will move but the farmer will not be interested in producing but will decide to grow the grain another year.

Senator Benidickson: Up until the present, the big storage of grains in the United States has not been a competitive factor in trading with either Russia or China. Is it pertinent to the view of your report to get any comment from you on what effect the recent, more friendly political associations between the United States and China and the United States and the U.S.S.R. have had on our competitive position?

Chief Commissioner Vogel: The Chinese have said to us, and have done so on almost every occasion we have met, which is fairly frequently, that they look to us first for their wheat requirement. That is not a meaningless phrase, because they mean it. So long as we can take care of their requirements they will look to us first and only to us.

Senator Benidickson: That is what they told me, too.

Chief Commissioner Vogel: The Russians have also been looking to us with respect to wheat. If the Russians, however, had a very poor crop—as they might have had this year from reports I have heard—they might well look to the United States. So far the Russians have bought three and a half million tons of wheat from us this year and they have an option on a further one and a half million tons, which would make a total of five million tons. If they want to buy more wheat or, more likely, if they want to buy a heavy quantity of feeding grains, the likelihood is that they will turn to the United States because that is where the surplus exists at the moment.

Senator Norrie: What determines the use of the ports in the Maritime provinces? Do you use them?

Chief Commissioner Vogel: We usually utilize them fully during the winter months, senator, and partially during the summer months. The reason for the partial utilization in the summer is that there is a cost factor involved. The farmer would have to pay far more during the summer months to move the grain to the Atlantic ports rather than through the St. Lawrence.

As I mentioned to Senator Benidickson, there is the question of the inward cargo. That is a definite factor. Many of the vessels that come in during the summer months with inward cargo for the St. Lawrence ports want to pick up their outward cargoes at those same ports.

However, there are vessels with inward cargoes trading into the Maritime ports which want grain and to them we do supply the grain there.

Senator Norrie: Who determines whether you are going to use the Maritime ports or not? Is it the particular owner of the vessel or the cargo?

Chief Commissioner Vogel: Usually it is the buyer who has made arrangements with a particular vessel for this or that cargo who then approaches us saying that he would like to buy his grain here or here or here. Naturally, the buyer is the master in this particular respect and we do our utmost to co-operate with him.

Senator Norrie: What are the Maritime ports that you do utilize? Are they just Halifax and Saint John?

Chief Commissioner Vogel: West Saint John and East Saint John are, in a sense, separate ports. We use them and Halifax.

The Chairman: Honourable senators, I see that the Honourable Otto Lang has arrived. If we could finish our questioning on this subject, I should like to have Mr. Lang deal with Bill C-204.

Senator Inman: Mr. Chairman, I should like to ask Mr. Vogel what plans there are for the future, in the event that the demand for our wheat is not as great. For example, suppose some of the countries buying our wheat now were to increase their own crops, are there any plans to look after that situation?

Chief Commissioner Vogel: In discussing that this morning, senator, we suggested that, although it is delightful to appear before you in a year such as this, and although it would be very easy to sit here and bask in the glory of record-breaking exports and shipments and pat ourselves on the backs saying, "We did it," nevertheless, in actual fact there are good years and bad years in this business. It depends very largely on production both in Canada and in other parts of the world. Of course other parts of the world will attempt to increase their own production. There is no question about that. The success they have will depend on circumstances. The pattern of nature is that usually the whole world does not produce bumper crops every year. It would seem that every year there are places in the world which do not produce bumper crops.

On the other hand, there are certain countries which, no matter what they do, will have to import food. The question then for them is what kind of food. The Chinese, for example, are a major exporter of food products. Most

people do not realize this, but they are one of the world's major exporters of food products and the only food they import is wheat. Obviously they have made the decision that it is a better utilization of their land to produce other crops or meat or fruit or vegetables which they sell for export. They use their land for that purpose and they buy wheat from us. So far as the Russians are concerned, it can be a question of bad luck or it can be a question of choice since they have so much land to use as to whether they are going to use it for wheat or for feed grain. If they are going to use it for feed grain, which is perhaps what they have been doing, then they end up by buying from us. They could reverse the pattern. But it would be a brave man and a foolhardy one who would promise that we are going to have this kind of volume and this kind of movement every year in the future.

Senator Benidickson: And it depends a great deal on the price of rice, does it not?

Chief Commissioner Vogel: Yes, and other cereal grains. In the meantime one tries to hedge one's bets by trying to pursue every possibility. For example, in Africa the most interesting country by far and the most worthy of the greatest concentration is Nigeria which is a country which in another eight years will have 100 million people. It dwarfs its neighbours. You do not realize that until you study it, but the neighbours might have 14 million people or 17 million people while Nigeria has 100 million people and is rapidly converting to eating bread. This is not like the Japanese experiment where they had a shift from rice consumption to bread consumption. I asked what the Nigerians have been eating up to now and the answer I got was that they have been chewing on sweet potatoes and bread is something new for them. It is a fascinating market and we have been working on it very hard with some degree of success. Some day it could be us the equivalent of a new Japan as a market.

These are the kinds of preparations you have to make for the future and while not all of them will succeed, still you must keep trying.

Senator Quart: Being from Quebec, I have just one question to ask regarding the ports of Montreal and Quebec. Which of the two ports would be the port of largest shipment?

Chief Commissioner Vogel: Montreal would handle more than Quebec but at the moment, of course, Montreal, Trois-Rivières and Quebec are strike-bound and we have available to us only Sorel, Port Cartier and Baie Comeau.

Senator Quart: But normally Montreal would be the major one?

Chief Commissioner Vogel: Yes, it would be Montreal, but I must be quite frank with you and say that many vessel owners and buyers have expressed the desire that if possible the vessels should not be directed to Montreal, even when the port was operating, because of what they felt was the slow loading which they got at Montreal as compared with other ports. In fact this is one of the reasons behind the present labour difficulties.

Senator Welch: Do all the wheat growers in western Canada sell through the Wheat Board?

Chief Commissioner Vogel: The answer to that basically is, yes. Any wheat entering commercial channels in west-

ern Canada, and by that I mean through an elevator or into a railway car or to cross a provincial boundary, can only be done through the Wheat Board. However, a producer can sell to another producer within the province, or can sell to a feed lot within the province or can sell to a feed mill within the province outside the board.

Senator Welch: Then do you have any large speculators who pick up the grain from many farmers and make shipments themselves?

Chief Commissioner Vogel: They cannot ship outside the province without breaking the law, and, as you know, if they are caught they are prosecuted. This applies not only to wheat but also to oats and barley.

Senator Welch: When you say "outside the province," do you mean they cannot ship outside the province or that they cannot ship outside of Canada?

Chief Commissioner Vogel: Outside the province.

Senator Sparrow: Mr. Vogel, you mentioned Nigeria and such countries. Is Canada doing anything to encourage increased consumption of wheat in these areas?

Chief Commissioner Vogel: I would answer yes to that question, but I would ask not to be forced to specify just what we are doing because our competitors would like to know exactly what we are doing. But the answer to your question is; yes, we have taken active steps to encourage the use of Canadian wheat in markets such as Nigeria.

Senator Sparrow: My next question is this: Can you tell us what stage the two-price system for wheat is at now, how it is affecting your board and how your board is handling it?

Chief Commissioner Vogel: The two-price system for wheat at the moment, senator, from the board's point of view is a three-price system. First of all we have an export price and then we at the board sell to flour mills for domestic human consumption in Canada at \$1.95 $\frac{1}{2}$, which is higher than the export price, but the government has announced, as you know, a two-price domestic rate beyond that whereby the federal treasury will pay the difference between \$1.95 $\frac{1}{2}$ per bushel and \$3 per bushel which is \$1.04 $\frac{1}{2}$. This is paid from government funds. The funds are generated by the domestic usage of wheat in Canada for human consumption, but as the minister can describe to you better than I can the form of payment, the form of acreage payment is spread across other grains as well.

Senator Sparrow: Do you handle that transaction?

Chief Commissioner Vogel: No, we do not. The government handles that.

Senator Sparrow: You have nothing to do with it?

Chief Commissioner Vogel: We only have to deal with it up to the \$1.95 $\frac{1}{2}$ level. Those proceeds go into the pool hopefully for a surplus distribution to farmers at the end of the period.

The Chairman: Since there are no further questions, I should like, on behalf of the committee, to thank the Chief Commissioner, the other Commissioners and their staff for their excellent presentation. They have been most helpful. I am sure I speak for the entire committee when I say that we are delighted with the kind of job you are doing on

behalf of the producers and on behalf of Canada. I thank you for being with us.

The committee proceeded to the next item of business.

Ottawa, Wednesday, June 28, 1972

The Standing Senate Committee on Agriculture, to which was referred Bill C-204, to amend the Canadian Wheat Board Act, met this day at 4 p.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we now have to consider Bill C-204. We are delighted to have with us the Honourable Otto Lang, the Minister of Justice, who is also the minister responsible for the Canadian Wheat Board. I am sure he will give us any explanations that we desire on this bill.

I might say that in the Senate there seemed to be general support from all senators for all the provisions of the bill, except there was some question about the penalty clause and the feeling that the minimum fine of \$50 was too high, and also a feeling that the Wheat Board itself should not be dealing with infractions but that this ought to be done through the courts. That was the only objection made by Senator John Macdonald. We can ask the minister if he has any general explanation he wishes to give on the bill at this time.

Honourable Otto Lang, Minister of Justice and Attorney General of Canada, Minister Responsible for the Canadian Wheat Board: Mr. Chairman, honourable senators: I will not try to give a general explanation, because your questioning may take me more specifically to matters that concern you. The bill is important in a number of respects, because it will give us greater flexibility in connection with protein grading, in connection with the possibility of pricing Alberta barley out of Vancouver, as well as out of Thunder Bay, which is a matter that concerns producers in that region quite significantly, and so on. It is a general updating and improvement of the powers of the board in dealing with the matters with which they have to deal.

The enforcement clause is, I think, an important one. The summary procedures are designed to allow for some fairly simplified correction procedures to be used in connection with over-deliveries, recognizing that many times these may be more or less a combination of innocence or ignorance or practice induced by someone without the full involvement of the farmer himself. In these cases the board would be able to adopt a straightforward procedure of really making a correction if he has over-delivered a certain amount; the key is to let him have that delivery taken away or an adjustment made in some other delivery rate. It is a procedure very much like some simplified vehicles act procedure, where you can avoid a great dispute when there is really nothing to argue about, to get the matter out of the way.

There is provision, I think, fully protecting the individual. If he does dispute the matter he can stop it from proceeding in an ordinary, straightforward fashion, and it then has to revert to the more serious proceeding, just as

in the vehicles act example, where if a man does not want to pay a fine straightforwardly he indicates that he will plead not guilty and he has a full hearing. A similar kind of procedure is involved here.

In the penalties an important change is being made. They are necessary because of, I think, some lack of full understanding about the importance of quotas and what it means to other farmers when a farmer does deliver by taking a quota to which he is not entitled. It may be seen on the commercial side basically, and to that extent we have removed the possibility of prison, which we had in. That is not very important, because it was not being used by magistrates and judges in any case. What is often not seen is that the farmer who over-delivers is taking a certain market opportunity from somebody else. He is taking it from other farmers collectively. It is not quite as visible as a simple theft, which is the property of one man being taken by another, where there is a specific loser, you know who it is, and the sympathy for him is apt to keep the court in a fairly ready balance in dealing with the situation. They cannot be just sympathetic for the poor fellow who did the taking because they also have somebody from whom it was taken.

When it is a more amorphous body from whom something is taken there may be a tendency by the courts not to appreciate that fact, that it is just as much a taking; and with a whole series of takings it is just as serious to the person from whom it is taken as if it were a theft. That is really the problem. It is commercial and it is like theft in that sense. It is important that the law emphasize that, both for the education of the farmer who may be tempted to over-deliver, and also for the protection of those who are honest and honourable and try to deliver according to the rules.

It therefore would seem to be necessary to impose a certain floor. We do that after only very serious consideration, because we like to give a maximum amount of flexibility to magistrates, as we have shown in some of our other legislation recently before you, in Bill C-2, where we believe in giving flexibility to magistrates. A floor is put in sometimes when there is this problem of establishing a certain attitude, a certain basic atmosphere in relation to deliveries. Then, of course, that floor has a minimum of \$50, but also a minimum relating the penalty to the value of the grain delivered, in the sense of making it one-third of the initial price or the value of the grain, but only up to \$300 to keep the matter within some bounds in the case of the individual producer. I think it is important in terms of helping to develop the right atmosphere in the Prairies about the nature of this matter and the seriousness of it to producers as a whole.

Senator Argue: I should like to ask a question on that point. If a producer over-delivered by 100 bushels because somebody just made a mistake and the Wheat Board wished to take action, can it take action only to extent of reducing his future delivery opportunity by 100 bushels, or do they have to add a further reduction to the value of another 100 bushels?

Hon. Mr. Lang: They can certainly take the former kind of action. They can simply make the reduction you indicated.

The Chairman: The Wheat Board told us this morning, as they told the Commons committee, their attitude would be

that if an over-delivery was less than 25 bushels they probably would not take any action at all. What would your comment be on that?

Hon. Mr. Lang: In this sense the legal advisers on behalf of the Wheat Board are in the position of prosecutors, if you like, at least half way in that position. I suppose almost more in my position as Attorney General I am familiar with that operation where discretion can be exercised about the nature of the offence and the manner of committing it. It is common knowledge that a certain degree of accurate estimating is impossible, and therefore a certain overage has to be allowed. A prosecutor's discretion is quite proper in that connection, and the Wheat Board has in fact operated in that fashion. I know they are quite prepared to review the level of discretion they exercise, because it is not their intention to hound a person who makes a mistake, but rather to make the system work so that quotas are available in an orderly fashion.

The Chairman: Are there other questions on any part of the bill?

If there are no other questions, are you prepared to deal with it clause by clause?

Shall clause 1 of the bill carry?

Hon. Senators: Carried.

The Chairman: Shall clause 2 carry?

Hon. Senators: Carried.

The Chairman: Clause 3. This has to do with the deferred delivery for farmers, if it is required. Incidentally, the Wheat Board explained some of these problems and some of the projected solutions. Is there any comment on clause 3?

Senator Benidickson: My comment on clause 3 would be the usual one. There is a blank on the page on the right, which does not help.

Hon. Mr. Lang: As the minister responsible for the Wheat Board, I will see that that is drawn to the attention of the Minister of Justice.

Senator Benidickson: It is perennial.

The Chairman: Shall clause 3 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 4 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 5 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 6 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 7 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 8 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 9 carry?

Hon. Senators: Carried.

The Chairman: Shall the title carry?

Hon. Senators: Carried.

The Chairman: Shall we report the bill without amendment?

Hon. Senators: Agreed.

The Chairman: Honourable senators, I want to thank the Minister of Justice for appearing before us. I mention to

him, incidentally, that this is a new Standing Committee of the Senate on Agriculture, as he will appreciate.

I think we have had a good day today, and I hope that the committee will have the opportunity of hearing from you, Mr. Minister, from time to time, on the effective work that you are doing.

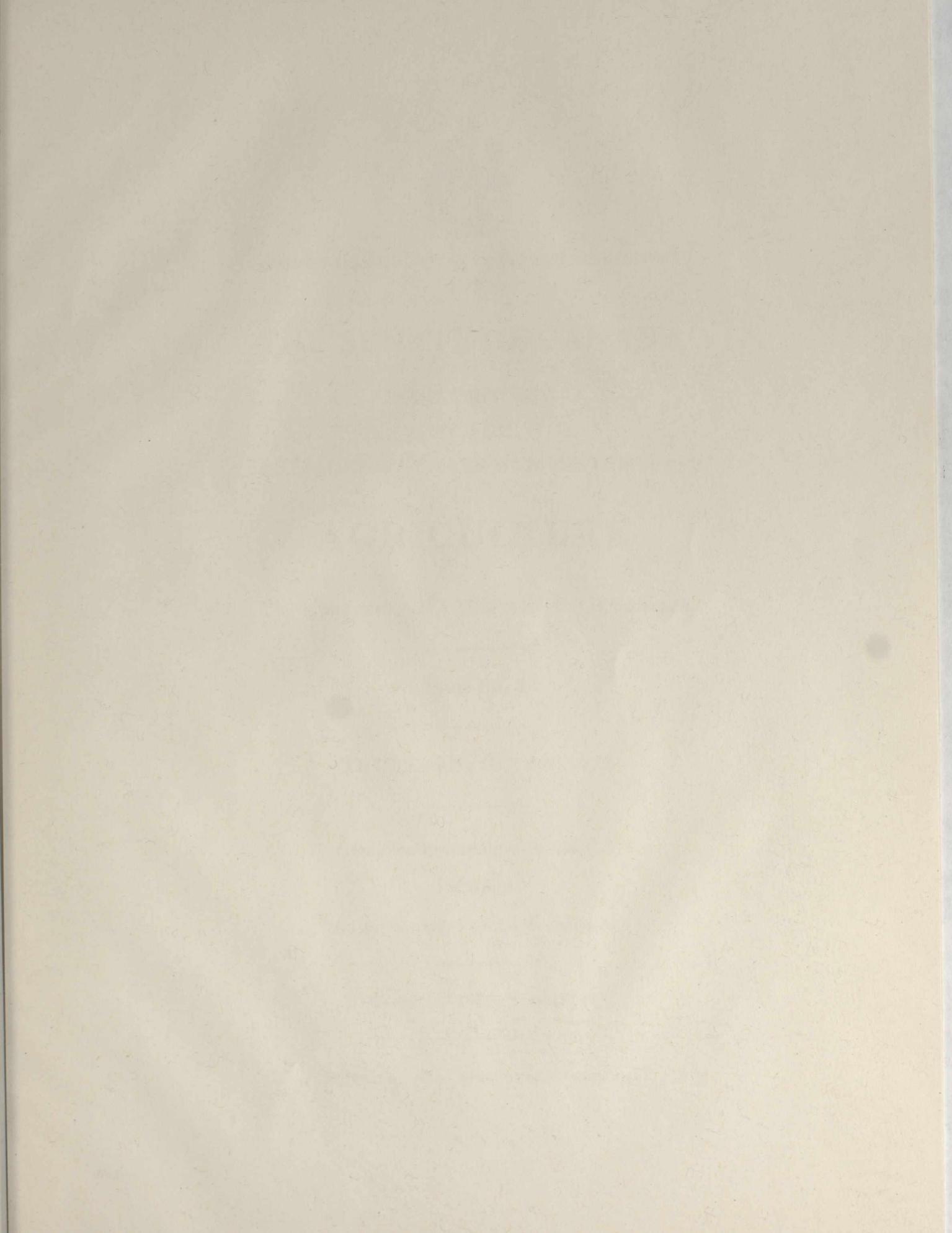
Hon. Mr. Lang: Thank you very much. I appreciate having had the opportunity to appear before the committee.

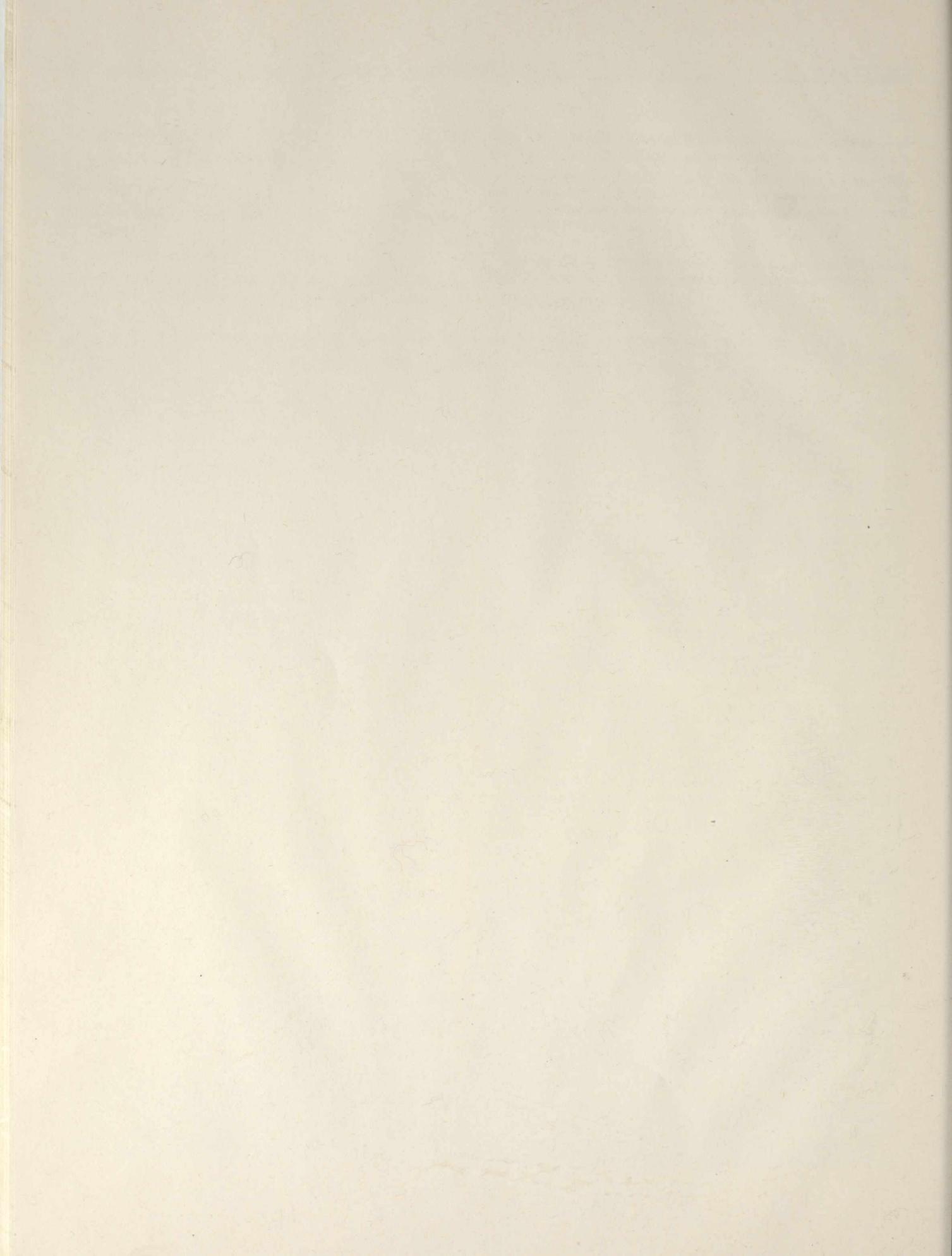
The committee adjourned.

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FOURTH SESSION—TWENTY EIGHTH PARLIAMENT
1972

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, *Chairman*

Issue No. 2

THURSDAY, JULY 6, 1972

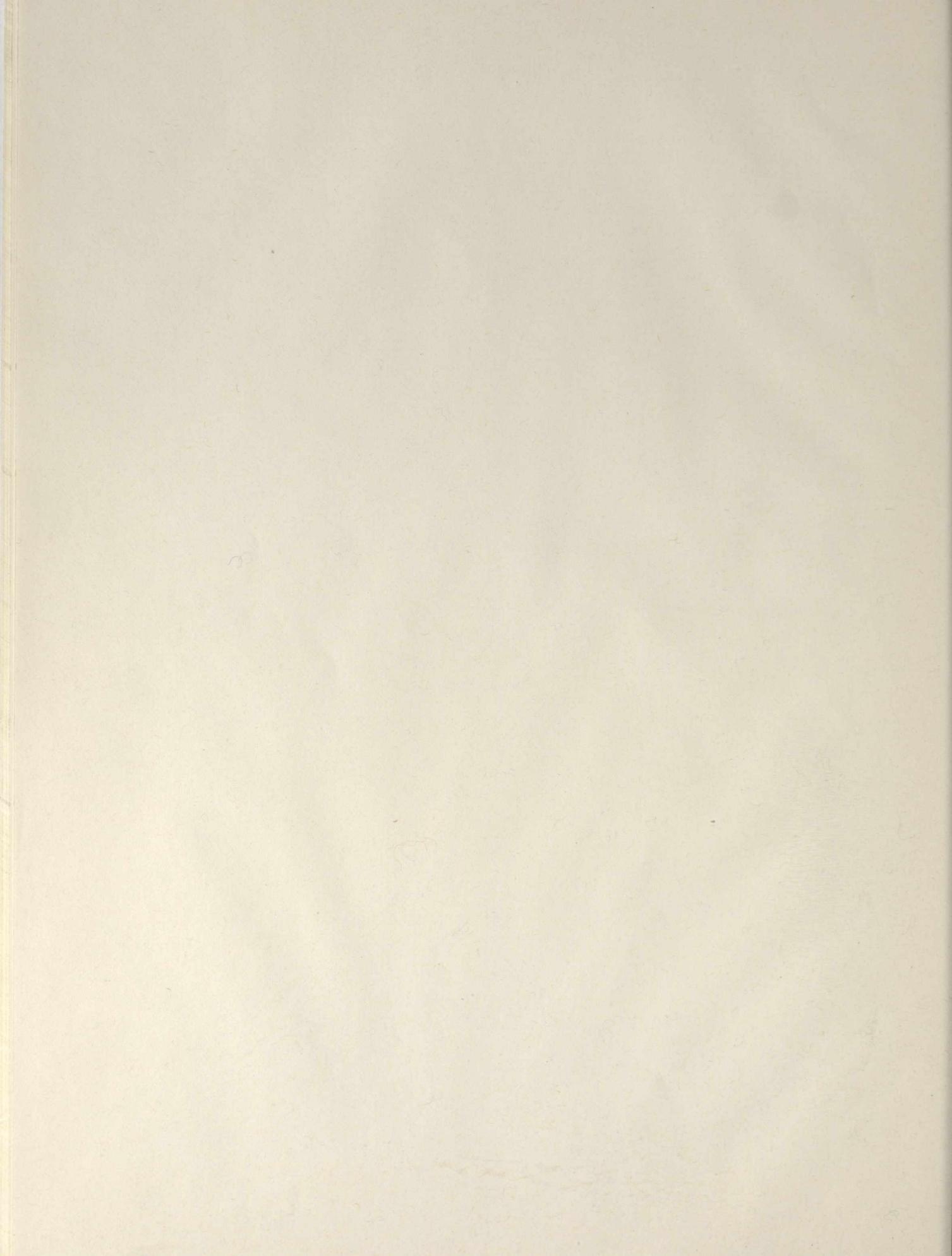
Complete Proceedings on Bill C-5,

intituled:

"An Act to amend the Farm Credit Act"

REPORT OF THE COMMITTEE

(Witnesses—See Minutes of Proceedings)





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(Witnesses:—See Minutes of Proceedings)



THE STANDING SENATE COMMITTEE
ON AGRICULTURE

The Honourable Hazen Argue, *Chairman*

The Honourable Senators:

- | | |
|-----------------------------|-------------|
| Argue | McDonald |
| Benidickson | McNamara |
| *Flynn | Michaud |
| Fournier | Molgat |
| (Restigouche-
Gloucester | Norrie |
| Haig | Petten |
| Hays | Prowse |
| Inman | Quart |
| Lafond | Sparrow |
| Lawson | Welch |
| *Martin | Williams |
| | Yuzyk—(20). |

**Ex officio* members

20 Members (Quorum 5)

Issue No. 2

THURSDAY, JULY 6, 1972

Complete Proceedings on Bill C-8,

intituled:

"An Act to amend the Farm Credit Act"

REPORT OF THE COMMITTEE

(Witnesses:—See Minutes of Proceedings)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, July 5, 1972:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Michaud, seconded by the Honourable Senator Stanbury, for the second reading of the Bill C-5, intituled: "An Act to amend the Farm Credit Act".

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 Michaud moved, seconded by the Honourable Senator Hastings, that the Bill be referred to the Standing Senate Committee on Agriculture.

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

Robert Fortier,
Clerk of the Senate.

Minutes of Proceedings

Order of Reference

Thursday, July 6th, 1972.

(2)

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day, at 9:30 a.m. to consider the Bill C-5, intituled: "An Act to amend the Farm Credit Act".

Present: The Honourable Senators Argue (*Chairman*); Fournier (*Restigouche-Gloucester*), Haig, Lafond, Martin, McNamara, Michaud, Molgat, Norrie, Quart and Williams. (11).

Present but not of the Committee: The Honourable Senator Phillips.

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

Upon Motion of the Honourable Senator Molgat, it was *Resolved* to print 800 copies in English and 300 copies in French of these Proceedings.

The following witnesses were heard:

The Honourable H. A. Olson, Minister of Agriculture:
Mr. George Owen, Chairman,
Farm Credit Corporation.

At 11:00 a.m. the Committee adjourned to the call of the Bell.

At 12:00 p.m. the Committee *resumed*.

Present: The Honourable Senators Argue (*Chairman*); Fournier (*Restigouche-Gloucester*), Haig, Lafond, McDonald, McNamara, Molgat, Norrie, Petten, Quart and Williams. (11).

Present but not of the Committee: The Honourable Senator Phillips.

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

The following witness was heard:

Mr. George Owen, Chairman,
Farm Credit Corporation.

After discussion, it was *Resolved* to report said Bill without amendment.

At 12:20 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Aline Pritchard
Clerk of the Committee.

Report of the Committee

Thursday, July 6, 1972.

The Standing Senate Committee on Agriculture to which was referred the Bill C-5, intituled: "An Act to amend the Farm Credit Act", has in obedience to the order of reference of July 5, 1972, examined the said Bill and now reports the same without amendment.

Respectfully submitted.

Hazen Argue,
Chairman.

The Standing Senate Committee on Agriculture

Evidence

On Thursday, July 6, 1972

The Standing Senate Committee on Agriculture to which was referred Bill C-5, intituled: "An Act to amend the Farm Credit Act", met this day at 2:30 p.m. to give consideration to the Bill.

The Bill was introduced by the Minister of Agriculture, Mr. H. A. O'Brien, and the Chairman of the Senate Committee, Mr. Hazen Argue.

The Chairman, Mr. Hazen Argue, stated that the Committee had the honor to receive the Bill on July 5, 1972, and that it was referred to the Committee on Agriculture.

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The Standing Senate Committee on Agriculture Report of the

Evidence

Ottawa, Thursday, July 6, 1972

The Standing Senate Committee on Agriculture, to which was referred Bill C-5, to amend the Farm Credit Act, met this day at 9.30 a.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we are delighted to have with us this morning the Minister of Agriculture, the Honourable Mr. Olson, and the officials of the Farm Credit Corporation; Mr. George Owen, Chairman; Mr. W. H. Ozard, Vice-Chairman; and Mr. W. A. Duncan, Director General of Loans and Farm Services, who is an old friend of mine from Regina.

If it is agreeable to the members of the committee, I suggest that we hear from the minister first. Once he has given his statement we can then hear the officials from the Farm Credit Corporation and deal with any matters that might arise out of what they have to say with respect to the bill and any other matters of a general nature affecting the Farm Credit Corporation. After we have heard all of these witnesses we can then take the bill clause by clause. I do not anticipate that we will have any trouble getting the bill through, but I think that would be an orderly way in which to deal with the matter. Naturally, the members of the committee will have a chance to ask all the questions they wish, and we will hear fully from the minister and the officials.

I will now ask the Minister of Agriculture, the Honourable Mr. Olson, to make a general statement explaining the purposes and scope of the bill, after which the subject will be open for questions.

The Honourable H. A. Olson, Minister of Agriculture: Thank you very much, Mr. Chairman. The provisions of Bill C-5 that are seeking to amend the Farm Credit Act fall into several categories. I should like to explain briefly the major amendments, some of which are merely updating provisions such as changing the limits for loans and certain of the conditions under which loans can be made. This is done in keeping with the requirements of the 1970s as opposed to the requirements that existed in 1964, eight years ago, on the last occasion we amended this act.

I should point out that there are also some departures in administrative competence of the Farm Credit Corporation and I should like to explain that briefly. Generally, as I have said, it is to update the act.

First, clause 1 does in fact give authority to the Governor in Council to assign duties and functions for the purposes of administration to the staff of the Farm Credit Corporation, because there are some functions we think it can perform probably better than any other agency of either a provincial or the federal government now in the field. I think the Farm Credit Corporation has the greatest competence of any organization in Canada to deal with farm credit. There is no question in my mind about that.

Therefore, in my view it would be useful to have the staff of the Farm Credit Corporation administer any programs that we might have from time to time dealing with this, rather than putting ourselves in the position of having to hire or engage or set up duplicate staffs in the field. The Farm Credit Corporation has, I believe, 118 offices across Canada where they can perform some of these functions.

So far, Mr. Chairman, the major consideration of this has centered around the fact that we intend to utilize the Farm Credit Corporation to administer, at least in so far as the federal Government is concerned, our Small Farms Development Program. This deals with upgrading, enlarging or whatever is necessary to turn farms which are now too small to be economic units into farms which are profitable; and this involves the use of credit projection, income and that sort of thing.

I want to make one thing very clear, however, and that is that the wording of clause 1 is such that it does not in any way attempt to give authority either to the corporation or, indeed, to the Governor in Council, to put forward programs that have not been approved by Parliament. There has been some criticism tending to stress that this is such an all-embracing clause, where it says that the corporation will have the "powers necessary to carry out such duties or functions as may be assigned to it by the Governor in Council . . ."; but it goes on to say, ". . . any agricultural program or as are assigned to it pursuant to any other Act of the Parliament of Canada." So any program would obviously have to have the endorsement of Parliament for this purpose. But what we are really talking about here are not new acts or programs, but simply the authority to administer them as they are passed by Parliament.

Another major change in the act that is sought to be brought about by Bill C-5 is an increase in the authorized capital of the corporation from \$56 to \$66 million, which is an increase of \$10 million; and, as you know, the corporation would then have available to it twenty-five times the authorized capital and would thereby provide the availability of an additional \$250 million for the next five or six years, or for some reasonable period of time.

I should also advise you, Mr. Chairman, that as of March 31, 1971, there were \$274 million in funds that were still available to the corporation, and that as of March 31, 1972, there were \$245 million left from the previous capitalization of \$56 million, so this would be increasing that amount. We expect that these funds will be sufficient for the Farm Credit Corporation for at least five or six years.

The bill also seeks to raise the loan limitation from the present limit of \$40,000 for an individual farmer. Of course, there were ways and means under various structures, such as partnerships and so on, whereby it was possible to lend up to \$100,000 to a farm unit providing it was a partnership or in a corporation of more than one operator, and so on. This, in fact, looked more at the structure of a farm unit than the farm unit itself, so what we are doing here is raising the maximum to \$100,000 for a

farm unit. Therefore a single-family unit on a farm, even though there is a single operator, will be in the same position as a corporate structure or partnership.

The bill also seeks to change the age limit. At the moment we cannot lend to anyone under 21 years of age, and that is provided in the act. But now we propose to permit loans to be made to any individual who is of legal age, as defined by the province; that is to say, where the person is of such an age that he is capable of entering into contractual arrangements.

We also seek to amend the act so that loans can be made only to Canadian citizens or landed immigrants; that is, people who intend to be permanently resident in Canada and to become Canadian citizens. I realize that one cannot say flatly that all landed immigrants intend to become citizens, but this proposal will be a change from the present provision.

The bill also provides for the possibility of having in a contractual arrangement the reservation of the farm home and a small parcel of land around it to any person who wishes to retire and sell his farm so that he can occupy that home and land for the rest of his life, and for the life of his spouse. This may be used in most cases in conjunction with the Small Farms Development Program, but there may be cases where someone would desire to use it other than by having taken advantage of that particular program.

I think those, Mr. Chairman, are the main features of the bill. I realize I have gone over them very quickly and briefly, but I assume that some of the members of the committee have read the much more detailed explanation of the bill given in the other place, and may perhaps even have read the comments I made in the House of Commons when I introduced this bill. However, I can say that having touched the major highlights of the bill, my officials and I will be pleased to answer any questions relating to any points that I have raised or in any way related to the bill.

The Chairman: Before we come to questions, I know we have some extra copies available of the Annual Report of the Farm Credit Corporation. Perhaps these could be passed around so as to give some background information.

Senator Phillips: Mr. Minister, I know that this is nothing new in the act, but I am concerned with the age limit of 45 years, as provided. Proposed section 28 also includes in this regard the words "who at the date the loan is approved", and does not say "at the date on which application was made". I consider this to be rather unfair and unnecessary in that it means that an individual is being deprived of the benefit of this act simply because he is 45 years of age. It is my understanding that the reason for that is that the amortization is spread over a 20-year period, so that the loan would be repaid at age 65. On the other hand, such an individual can get a Central Mortgage and Housing Corporation loan or an NHA loan. I think the age limit of 45 is discriminatory, and we should consider a policy whereby, if the individual is 45 years of age or over and cannot borrow the full amount, he should be able to borrow on a reduced scale.

Hon. Mr. Olson: Mr. Chairman, I think the latter suggestion of Senator Phillips is in fact provided for in the bill. I presume you are looking at line 30 on page 5.

Senator Phillips: I am looking at clause 9 dealing with proposed section 28(1).

Hon. Mr. Olson: The reason I say that is that this part of the act, as I understand it, deals only with what we would refer to as Part III loans which are supervised loans, and that this age is not applicable to other loans. Under a supervised loan at the present time we can go up to \$55,000, or about \$15,000 beyond the \$40,000 limit; but, of course, the borrower has to agree to some supervision. But for other loans that limit of 45 years is not there. I believe I am correct in that.

Mr. G. Owen, Chairman, Farm Credit Corporation: That is right, and there is the additional feature that Part III loans really involve long-term loans on security of chattels, and it was a section incorporated in the act specifically to advance larger amounts of credit to young farmers to assist them to get started. The regular credit program which involves most of the lending has no upper age limit. You are endeavouring to help young farmers and when you lend on the security of chattels it takes about 17 years from the time a farmer receives his loan, on an amortized plan, to retire the loan against the chattels. This puts him at 62 years of age and he still has a loan against his farm.

Senator Phillips: It takes a farmer a considerable length of time to develop these chattels. He does not have the same amount of stock and machinery on his farm at age 20 as he will at age 45. I feel you would have more chattels as security at age 45 than at age 25. I will not go into a lengthy argument at this time. However, Mr. Minister, I would like to have that policy reviewed. I feel that it is in error and that the policy should allow a farmer who is 45 years or over to take advantage of this as well.

Hon. Mr. Olson: Mr. Chairman, we would be very happy to review this policy. I suggest that it was put in there in the first place for exactly the reason you have pointed out, that people under the age of 45 would have an opportunity to obtain sufficient chattels, as you have suggested. Of course, that is the reason the additional \$15,000 was provided under Part III. However, we will be happy to review this policy.

Senator Phillips: Thank you.

Has the Corporation at any time in the past made loans to non-Canadian citizens or those having landed immigrant status?

Mr. Owen: To the best of my knowledge, we have not. I am aware that on two or three occasions we have, in fact, approved loans to people whom we later discovered were not landed immigrants. They were in Canada on visitors' permits. We discovered this before we made the loans and, although we did not have legislative authority, we declined to lend to them. We could not be sure they would be domiciled on the farm and operating it for a lifetime. However, we did not have statutory authority to refuse to make the loan because they were not landed immigrants.

Senator Phillips: And this is the only reason for the amendment.

Mr. Olson, I am concerned with the fact that the Small Farms Development Program, or whatever you prefer to call it, is being placed under the administration of the Farm Credit Corporation. In the Province of Prince Edward Island, which I represent, we have a development

program. In my remarks yesterday, I described your proposals as being political plagiarism. You are taking your program straight from the one which exists in Prince Edward Island. I find the farmers there to be most unhappy with the program, and while they will curse the Land Development Corporation they have the greatest respect for the Farm Credit Corporation and would prefer to deal with it. I am afraid that if the Farm Credit Corporation becomes involved with provincial organizations its reputation will suffer.

Hon. Mr. Olson: Mr. Chairman, I agree there are some features of the national Small Farms Development Program that are similar to the FRED and ARDA programs that have been initiated in Prince Edward Island. This may be plagiarism, but it seems to me there is a need for this kind of program for young farmers in all of Canada. Therefore, we feel it should be expanded so that it is available to any Canadian citizen in the same circumstances.

I wish to say also that we believe the Farm Credit Corporation is an organization which is held in high regard, and I am glad to hear you say this, Senator Phillips.

Senator Phillips: It is.

Hon. Mr. Olson: It has more competence, experience, and experienced personnel in dealing with credit and in upgrading and enhancing farms to become potentially profitable farm units for individual farmers. It seems to me we ought to utilize this competence and experience in administering a program, the objectives of which are similar to those of the Farm Credit Corporation. While there may be some difficulty, I would like to say that I do not think any new program runs completely smoothly from its initial stage.

I would suggest that the Farm Credit Corporation could, in fact, handle this kind of administrative job better than anyone else. Therefore, the success of dealing with it, first of all, as a program financed by the public treasury, and secondly, for the benefit of those who will be affected by it, I feel can probably be better achieved through this organization than attempting to set up a new one.

Senator Phillips: I agree with you, Mr. Minister, that the Farm Credit Corporation is better qualified and has more experience to handle this than anyone else. That is why I would like to see it handle it without becoming associated with provincial organizations.

Under your program, the Farm Credit Corporation will be allowed to rent farms which have been purchased. If a farmer has rented a farm for five years and wishes to purchase it will he receive any credit on the purchase price as a result of having rented it for five years?

Hon. Mr. Olson: Mr. Chairman, we hope so. Let me make it clear that the Farm Credit Corporation and the federal Department of Agriculture do not intend to become a massive landlord in the renting of farm units. Therefore, practically all those units that we acquire from farmers who wish to retire and take the retirement package will be for sale immediately. However, we desire to give some priority of access to the units to small farm operators in the community to enable them to add to their holdings. I mean priority over other farmers in the same community who already have a farm big enough for a profitable

operation. It seems to us to be useful to give these young farmers an opportunity to apply their management skills without jeopardizing the remainder of their assets. In this respect we may enter into short-term rental agreements with them so that they will have the the opportunity of trying it. If they fail—and as a matter of fact most of them will make it—they will not have lost their entire farm holdings, but only the additional parcel of land. Certainly we hope to be able to work out an arrangement whereby any rentals paid during that period will be subject to a reasonable, equitable arrangement by which they can be applied against purchase.

In many cases we may also conclude an agreement for sale containing the provision that they would pay on a rental arrangement for a trial period notwithstanding the agreement for sale. The applicant would be given a chance to see what he could do if he had the additional land or facilities, up to an economic unit.

Senator Phillips: That pleases me so much that I will leave you alone now.

Senator Molgat: Mr. Minister, under the corporation you have an advisory board, plus appeal boards in each province.

Hon. Mr. Olson: Yes.

Senator Molgat: Have they been consulted regarding these amendments; and, if so, what is their reaction?

Hon. Mr. Olson: Yes, there has been discussion between them and the Farm Credit Corporation over a long period of time. I cannot tell you when each of these amendments was discussed with them. Some were probably discussed with the advisory committee, perhaps several years ago. We do not open the Farm Credit Corporation Act for amendment every year, so what we have before us in some respects is an accumulation of changes which have been observed as necessary. We now come before Parliament with a major amendment to the entire act, which is that accumulation.

I think it is fair to say, Mr. Chairman, that all these amendments have been discussed with them at some time. I can also say they generally support them.

Senator Molgat: The farm organizations in general have also supported the changes.

Hon. Mr. Olson: I would say generally. Some farm organizations have expressed opinions supporting changes slightly or, in some cases, substantially different from these, but generally they support many of the features. For example, I do not believe there is any objection to raising the capitalization of the corporation so as to allow it more funds. I do not think there is any general opposition to raising the amount so that it is based on the farm unit rather than on its legal structure. They also support generally a number of other amendments.

Senator Molgat: This is in the nature of an observation. I know there have been objections in certain quarters to the inclusion of further programs. I support Senator Phillips in his view that the Farm Credit Corporation is held in high regard, especially in our province. Any program such as the Small Farm Development Program, I would hope, would be administered by it, under the control of the federal government and not simply transferred to the province for administration.

Hon. Mr. Olson: The agreement which we are seeking with the provinces is not for the purpose of handling the land transfer section or, indeed, the retirement package which would be available to some farmers. It will not apply to the total credit program, including whatever subsidization might be available to farmers staying on the land.

We believe, however, that every individual farmer who is a prospective applicant for the benefits of the small farms development program should receive a thorough explanation of its features, the alternatives and, indeed, the options available to him. The provincial governments maintain a number of representatives in the field, such as district agriculturists and counsellors and farm management counsellors. It would be useful if these representatives could be thoroughly briefed regarding all the features and options so that they could take them into account when considering the circumstances of the individual applicant. In this manner the applicant would know exactly what is available to him, what he is getting and, if I may say, what he is getting into. If we could utilize by a joint arrangement with the provinces the services of those representatives and give them competence in the counselling feature, it would not be necessary to hire that many more representatives at increased cost. We do not intend to transfer the actual administration of the land transfer or the contractual credit arrangements to anyone other than the Farm Credit Corporation.

Senator Molgat: But in the case of advisory services, you have within the Farm Credit Corporation now, do you not, an advisory or supervision structure?

Hon. Mr. Olson: Yes, we do. However, it is certainly not of sufficient size, nor are the personnel sufficient to enable us to handle all the applications we expect. It would be useful to obtain some co-operation from the provinces, particularly from those they already have in the field, rather than hiring additional staff.

In addition, it is preferable that federal and provincial officers in the field give essentially the same advice, based on the same background. This would avoid the possibility of confusing farmers in the event that some representatives might really not be aware of all features of available programs.

Senator Molgat: There should be a co-operative effort, then, with respect to the contractual arrangements still being handled by the Farm Credit Corporation.

Hon. Mr. Olson: Yes, hopefully. We do not have at the moment any signed agreements with the provinces. The reason is that at least some of them have attempted, I suppose I could even use the word insisted, but at least attempted to in fact administer those functions that you have described. We think that is undesirable, for two reasons. In the first place, we are of the opinion that if we did transfer the program to the provinces we would very shortly have 10 different small farms development programs, with the possibility of the benefits from the federal Treasury being different in various provinces. That in my opinion is undesirable. The other point is that if we were to do this, the development or the rapidity with which these features would become available to farmers living in different parts of the country in similar circumstances might be very much different; whereas if we applied the whole program nationally through our federal offices, the same

features and the same level of benefits would be equally available to farmers. I think it is pretty important that benefits from the federal treasury be uniformly available to any Canadian citizen, no matter where he lives.

Senator Molgat: I think that statement is a very important one with regard to the long-range success of this particular operation. The supervision provisions within your corporation act are compulsory for anyone under a Part III loan. Is it available at no charge to any other borrower?

Hon. Mr. Olson: I think I would rather have Mr. Owen answer that.

Mr. Owen: It is available at a charge of \$25 a year to any other borrower.

Senator Molgat: What about a farmer who gets into difficulties or arrears? Does he then come under supervision or not?

Mr. Owen: He comes under supervision of a different type. We do not enter into a supervision contract with him and charge him \$25 a year, because we cannot get what he already owes us. We go out and spend a lot of time with him in trying to work out solutions; so that, in effect, we are giving him the same kind of advice, but not on a contractual basis.

Senator Molgat: He gets the same type of supervision and advice?

Mr. Owen: That is right.

Senator Molgat: Which provinces now operate their own provincial farm credit plans?

Mr. Owen: There is a small one in Newfoundland, a fairly significant one in Nova Scotia; there is one in New Brunswick; there is a lending authority in Prince Edward Island; there is a lending agency in Quebec. There is none in Ontario at the moment. There is one in Manitoba; there is a land purchase program in Alberta, and British Columbia has a credit arrangement for land-clearing assistance.

Senator Norrie: Does one approach the federal offices for a loan?

Hon. Mr. Olson: Yes.

Senator Norrie: One goes through that source first?

Hon. Mr. Olson: Yes. I am not quite sure what you mean by "first". Before what?

Senator Norrie: Suppose you have a small farming unit on which you wish to have assistance through the Farm Credit Corporation, do you apply through the federal offices?

Hon. Mr. Olson: If they want a loan from the Farm Credit Corporation, they approach the officers within any one of the 118 offices that we have across Canada.

Senator Norrie: Where is the one in Nova Scotia?

Hon. Mr. Olson: There would be more than one in Nova Scotia.

Mr. Owen: I believe there are two in Nova Scotia, because of the relatively small volume of business. The principal one is at Truro.

Senator Norrie: Where are they in New Brunswick?

Mr. Owen: We have several in New Brunswick: Fredericton, Grand Falls, Moncton, and Sussex. In Nova Scotia we have an office also at Kentville.

The Chairman: I wonder if I might ask a question? Under the Small Farm Development Program, after it is in effect, let us say, in all of the provinces, do you think it might be possible in some provinces for the title of this program to carry the provincial name? Crop insurance, for example, is a national act. In the Province of Saskatchewan it all operates, I understand, under the Saskatchewan Crop Insurance Board. While the federal government puts in the main portion of the money, the public does not have a clue that the federal government is involved. Would it be a possibility, under what you have in mind, that when the Small Farm Development Program gets going you will have use of the administrative facilities of the Farm Credit Corporation, but that the front, the name, and everything else, will be provincial, and people will not be aware that it is a federal program?

Hon. Mr. Olson: I do not think so, because we have been fairly insistent that the Land Transfer Program, the credit facilities and the contractual arrangements for retirement plans would be handled by the Farm Credit Corporation personnel in their offices. The matter that we are attempting to work out with the provinces is more particularly in the counselling field. After there had been a discussion between a provincial officer and a farmer, the farmer would then go to the federal Farm Credit office to actually make the application.

The Chairman: How large a program do you think this might be? For example, in Saskatchewan we have the so-called Land Bank Development Program to which is attached initially a sum of \$10 million. Ten million dollars in relation to land transfers in Saskatchewan strikes me as being a tiny sum of money. My question is: How large would you envisage this program to be? It is a rather big, important program. Is it likely to run into competition from small provincial programs?

Hon. Mr. Olson: My cabinet colleagues have authorized me to commit \$150 million over seven years to provide for the net cost to the treasury. In addition to that \$150 million, there will, of course, be some credit requirements of purchasers that would be quite apart from the \$150 million. I am simply talking about the subsidized portion. Parliament has approved so far \$47 million of the \$150 million in what we call a vote title in the Estimates at this point; but our initial program envisaged the utilization of \$150 million net cost to the treasury over seven years.

Senator Phillips: I received a complaint about the program in Prince Edward Island to the effect that by the time the interest rate and taxes are added together, it amounts to about 10 per cent of the purchase price of the farm. A general complaint that I get is that a farmer may wish to rent, say, 50 acres of that farm. He does not want to rent the whole thing. Some of it may be in woods. Logically he says, "What do I want to rent 50 acres of wood for, when I can only have it for two or three years and will have to pay 10 per cent on that?" I hope that in your program you will find a method to overcome that objection. This is one of the reasons why many of the farms which have been purchased by the Land Development Corporation in Prince Edward Island are vacant. The

farmer must rent the entire farm. If a portion of the farm is comprised of a wooded area still in development, that portion must also be rented. He cannot just rent so many acres. I realize your program is not yet finalized, and I make that suggestion in the hope that you will find a method to overcome it.

Hon. Mr. Olson: I was not aware that this was a problem. We will look into it to determine what arrangements can be made. I would worry, I suppose, about what we would do with the other parcel of land that was part of the farm, but perhaps some arrangements could be worked out.

Senator Phillips: If a portion of the farm is a wooded area, which will take so many years to develop, I can see the farmer's objection in that he is paying rent on that portion while being unable to use it.

Senator Williams: Mr. Minister, clause (3)(2) deals with Canadian citizens or landed immigrants. Will your department give recognition to an Indian farmer making application for a loan?

Hon. Mr. Olson: We do now, Senator Williams. We amended the act over a year ago so that Indian farmers who are on reservations where we cannot take the land as security are eligible for loans, but an agreement or an endorsement is required between the Farm Credit Corporation and the Minister of Indian Affairs and Northern Development. Since amending the act we have made a number of loans to Indian farmers on reservations. I could give you some statistics with respect to that, if you wish, Senator Williams.

Senator Williams: I would appreciate it if you would have those statistics sent to my office.

Hon. Mr. Olson: Yes.

Senator Williams: Do you know offhand if Indian farmers in British Columbia have acquired such loans?

Mr. Owen: Yes, they have. We have made 16 loans in the Province of British Columbia in the total amount of \$311,000 since this program started about a year and a half or two years ago. In all of Canada we have made 95 loans in the amount of \$1,680,000.

Senator Michaud: I cannot find in your annual report a breakdown of the current value of farmland in the various provinces. I have seen such a breakdown in a previous report.

Mr. Owen: That is a separate publication, senator. It is in addition to our annual report. It is a booklet which we put out about late August or September each year. In this booklet we try to bring together all of the statistical information we can find relating to farm credit in one way or another. Such things as land value, farm sizes, and so forth are included. The latest such publication we have is for the year 1971. There should be an updated one out about late August or September.

Senator Michaud: If my memory serves me correctly, I think the land value is set at \$204 for the Province of New Brunswick.

Mr. Owen: I should point out, senator, that this is really an index as opposed to the actual land value. In 1970 for the Province of New Brunswick the index of farmland

value was 222 per cent. That is based on 100 per cent in 1949. In other words, it is 222 per cent of its value in 1949.

Senator Michaud: The minister has often made reference to the equity involved in farm land. Would that amount be representative of the equity centred in a particular farm?

Mr. Owen: No, not really. This does not mean \$222 an acre. It means simply that if the land was worth \$100 in 1949 it is now worth \$222. This would be indicative of the extent by which land values, on the average, had increased over that period of time, but it would not indicate a change in land equity which, of course, is dependent upon the farmer's debt situation.

Senator Michaud: The feature of the program of main concern to me is the small farm aspect. I feel it is urgent that that aspect of the program be implemented as soon as possible, at least in that section of New Brunswick where I come from.

I am really quite concerned about the delay which has taken place with respect to an agreement between the federal government and the respective provincial governments. It was mentioned by Senator Argue in the Senate yesterday that the crop insurance plan was one instance where delays have occurred in obtaining agreements as between the federal government and the provincial governments. That is precisely what has happened in New Brunswick. That plan has been in existence for twelve years, and yet the Province of New Brunswick is still out of it.

I am absolutely convinced that we cannot wait twelve years for the small farm program to be implemented in New Brunswick because, if there is such a delay, it will be much too late. It is absolutely urgent that measures for implementation of that program be undertaken as soon as possible. As I have already stated, in the house in February of this year, the situation with regard to small farms in the eastern section of New Brunswick is nothing short of crucial.

Hon. Mr. Olson: I am equally concerned about such delays. As I have said on a number of occasions publicly, and indeed, in the House of Commons and before the Standing Committee on Agriculture of the House of Commons, the federal government was prepared to go forward with this program many, many months ago. However, for reasons that I have explained earlier, particularly the matter of there being substantially higher administrative costs if we were to hire duplicate staff, it did not go ahead. Another reason, of course, is that we want our programs to be complementary or compatible, at least, with whatever action the provincial governments may take. Those are the reasons why we have not, to this point, moved unilaterally into making this program operational. There is still the possibility that we could enter into a joint administrative agreement with the provinces.

I think, Mr. Chairman, I could repeat here what I have already said, and that is that the farmers have waited long enough. I think it should be made operational. We are in negotiations now with some of the provinces and it appears we are fairly close to signing an agreement with respect to this division of administrative responsibility.

When we get to the point of having it operational, I would be as concerned as you are that it be available equally to all farmers throughout Canada, whether there

is an agreement with the province or not. Certainly where there is no agreement it probably will not be capable of being administered as rapidly in processing the applications and that sort of thing, but I am equally concerned, once it becomes operational, to ensure that there are not farmers somewhere who are denied access to at least the federal benefits, in the absence of agreement with the province.

The Chairman: Might I ask a supplementary question on that point? Is it not a fact that the Farm Credit Act itself now operates without provincial agreement?

Hon. Mr. Olson: Yes.

The Chairman: Is the federal act standing on its own feet? The federal government has certain constitutional authority in dealing with agriculture, credit and so on. It would seem to me that the federal government has adequate constitutional authority to make a department of the Farm Credit Corporation responsible for the administration of the small farm development policy, and the farmers in any given province have a right, as Canadian citizens, to the benefit of this act, whether or not their province is willing to sign a technical agreement.

Hon. Mr. Olson: I have never taken the position that we do not have the constitutional authority to initiate, pay for and administer a program like the Small Farms Development Program. I think we have. That is not the problem. The problem is that thus far we have been unable to agree on the division of administrative responsibility, and the reason I have waited this long, I suppose, is because I think there are some advantages, both in economy of administration and in compatibility with provincial programs and priorities, if we have a joint agreement to the extent that I have described it. I at least am not concerned that we do not have constitutional competence to administer this program, even unilaterally.

Senator Michaud: Mr. Minister, I believe on many previous occasions you have said you felt it was a federal priority to ensure that farmers everywhere in Canada receive the protection which they are entitled to, as Canadian citizens, of their equity in those properties. Is that the way you indicated it?

Hon. Mr. Olson: I think what I have said, if I could put it slightly differently, is that we put a high priority on getting this kind of program operational, and that the benefits available to a farmer anywhere in Canada should be uniformly available to any other farmer as an individual in the same circumstances, and his access and benefits to federal programs should not be substantially different because he lives on one side or the other of a provincial border.

Senator Michaud: At present the situation is such that the equity of the farmers I have in mind, be it at the level indicated by Mr. Owens a few moments ago or any other figure, is locally being jeopardized, because there is no possible way a farm owner can recoup his equity anywhere near its real value. The only way in which a farmer can dispose of his property today, if he has to, through illness or lack of heirs, is to sell his land, good arable farm land, to lumber operators. That is the only way, and that is happening every day. I do not say this critically of the lumber companies, who naturally cannot pay for that land its value as farm land; they can pay only what it is

worth to them as lumber companies, so I do not want to speak critically of them at all. However, today farmers in my part of the country cannot recoup more than between \$8 and \$12 an acre for first quality farm land. That is why I say that in my estimation it is imperative that the government step in with this small farm program as soon as possible, as a measure of protecting the equity of farmers in such circumstances.

Senator Phillips: Mr. Minister, if I recall your remarks when introducing Bill C-5 in the other place, you said you already had the authority to initiate the Small Farm Development Program, and that Parliament had appropriated the money for it. I therefore find myself, strangely enough, in agreement with the chairman that you can proceed with this program; and, if the program is worth while, I think you should proceed with it.

Senator Michaud: You are coming along, senator.

The Chairman: Mr. Minister, the Senate is 100 per cent behind the program. That is the Conservative Party speaking on this bill!

Hon. Mr. Olson: I am glad to hear that, Mr. Chairman. I hope you will bear with me for at least a few more days, because we think that we are fairly close to an agreement with some of the provinces. I have to consider that. You are quite right. Parliament did pass a vote title in such a way that it gives me authority to go ahead with this. However, there are some difficulties, although not insurmountable ones, whereby until clause 1 of this bill is passed, which gives legislative authority for the Farm Credit Corporation to administer this kind of a program, there will probably be a situation in which I would have to hire the Farm Credit Corporation, based on the authority the vote title gave me. I think this is an unnecessarily awkward way of having to do it, to comply with the legal technicalities.

Senator Phillips: I expect a ready solution for that problem.

The Chairman: If the committee would pardon me, I will put another question to the minister. It seems to me that the minister is bending over backwards to co-operate with the provinces, even though, as he said, the federal government has undoubtedly sufficient constitutional jurisdiction to proceed on its own.

I am sure the minister is aware that in Saskatchewan the government introduced in the legislature in 1972 an act respecting the foreign ownership of agricultural lands in Saskatchewan, which, in a nutshell, says that to own land in Saskatchewan you must be domiciled in Saskatchewan.

I am a layman, but the way the bill is drawn up it would look like a rather rigid thing. It would seem to me that in fact this would impinge on the constitutional authority of the federal government and on the constitutional privileges and rights of Canadian citizens. It would seem to me that, at least to some extent, this would interfere with the security that the Farm Credit Corporation now has, and with its future security. If I am living the near the Manitoba boundary and I have a loan from the Farm Credit Corporation and I wish to dispose of my farm, a buyer in Manitoba, because of this silly legislation, is prevented from buying my farm. That would have a depressing effect on prices, obviously. I wonder if the Saskatchewan government, or any agency or person employed by the

Saskatchewan government, discussed this with the federal government before proceeding with it?

Hon. Mr. Olson: Mr. Chairman, I am prevented on at least two counts from attempting to give a legal opinion with respect to an act of the provinces. As a general practice, I do not believe that federal ministers comment on the propriety of provincial legislation, in any event. Therefore, I suppose I had better not say any more, although I do find it a bit strange to find people living outside of one province being described as foreigners.

The Chairman: I would like to ask another question; and if the minister does not care to answer it, I will understand. Would there have been any consultation, would you anticipate, prior to this being done, as to its effect on the Farm Credit Corporation and on the rights of citizens?

Hon. Mr. Olson: I would ask Mr. Owen to comment only to the extent as to whether there was consultation. I do not think he ought to comment on whether it infringes on the rights of Canadians from a constitutional point of view. I can say that I was, I suppose, as aware as any other Canadian citizen that they brought forward this act, and I read some of the press comments that they intended to bring forward such an act. I was not directly consulted as to whether I agreed with it or whether there would be complications in the administration of our programs as a result.

Mr. Owen: There has been no consultation with the Farm Credit Corporation on the subject. I understand the Deputy Minister of Agriculture in Saskatchewan to have stated that the matter had been discussed at the federal agricultural meeting, but I am not aware of who it was that it was discussed with. I am not aware at all.

Hon. Mr. Olson: I might add this, but not on this so-called foreign ownership aspect of it. Over the past year and four months I have had a number of discussions with provincial ministers respecting some aspects of a small farm development program and the features that they had in mind in relation to the ones that we had in mind—but not on the foreign ownership question.

The Chairman: Honourable senators, are there any other questions at this time?

Senator Phillips: May I direct this question to Mr. Owen? How many Part III loans were made to farming corporations last year, and how many were made at the maximum amount?

Mr. Owen: I have not that figure for farms as designated by Part III. I have in my book the number of loans made to farming corporations under both parts. IN 1970-71, which is the last year for which I have figures available, we made a total of 93 loans to farming corporations, amounting to \$5,184,000. I could not say how many loans were made under Part III and how many were straight, ordinary mortgage loans.

I can say that, on the average, there were two farmers in each of these incorporated farms. Some farms may have had one and some may have had three, but the average was two farmers farming together.

The Chairman: So they are all very largely farming corporations?

Senator Phillips: In making loans to farm corporations, do you consider a feed company as a partner within the corporation?

Mr. Owen: No, we do not. I suppose it could be conceivable that a corporation or a feed company might have a very minor interest, but 51 per cent of the shares have to be held by the actual persons who are farming it, and 75 per cent have to be held by them or their relatives. So you get into a situation where a feed company would not actually get in. We go back even behind the share structure to ensure that this is a farm operated by farmers, although it is a corporate structure.

Senator Michaud: Mr. Chairman, I mentioned a while ago that lumber companies were the only buyers of farmland. Might I add that the purpose of those companies buying this farmland was for re-forestation, and that is the obvious reason they could not pay the real value of farmland for land diverted to afforestation purposes.

The Chairman: Might I ask a general question as to what the experience of the corporation is with regard to actual losses? How does it compare with the aggregate of loans? Or perhaps you have some information on that point on some other basis?

Mr. Owen: It is changing. Are you referring to losses on loans; that is, not operating losses?

The Chairman: The failure of farmers to meet their obligations, therefore involving the corporation in the loss of money.

Mr. Owen: It takes a few years before you start losing money on an individual farm. We were losing \$20,000, \$30,000, \$40,000 a year. I believe this year it is in the order of \$192,000, compared with \$104,000 a year earlier. I would like to go on to say that even that is a relatively low figure, in recognition of the fact that we have out on loan almost \$1,250,000,000 at the moment. I might point out also that during periods of rising land prices we have a certain built-in protection against losses; but in the last three years land prices have been going down and we have had a built-in risk factor which adds to it. We still think they are very limited in relation to the amount of money we have out.

The Chairman: I can recall, I believe correctly, that the experience of banks under the Farm Improvement Loans Act was a loss of about one-tenth of 1 per cent. That is just from memory, but I think it is right. I wonder how the losses here might go. I know the figure cannot be accurate because time will change these figures, but what does it seem to be?

Mr. Owen: It seems to be something between one-fiftieth of 1 per cent and one-hundredth of 1 per cent.

The Chairman: In other words, to make a bald statement, to all intents and purposes there are no losses because they are so infrequent.

What is the situation with respect to foreclosures? Have you foreclosed on farms at all?

Mr. Owen: Yes.

The Chairman: Can you give us a picture of how much trouble you have had in collecting loans to the point where you have had to foreclose or to acquire titles?

Mr. Owen: We have just over 100 foreclosures underway now, but just because you start a foreclosure it does not mean that the end result will be a foreclosure, because very often the problems are resolved. In all of Canada in this past year we acquired 37 properties. That is not a large figure.

Some concern has been expressed on the question of the difficulty of collection, but in that respect we are now over the hump, because our payments during the past few months have been significantly higher than they were a year ago. Our collection picture is better now than it was a year ago. For example, the annual instalments in Saskatchewan come due on the first of May. Naturally, we expect that at that time there are going to be a number of arrears to begin with. However, this year there are approximately 1,500 fewer farmers in arrears in Saskatchewan now than was the case last year. So there has been a significant turnaround in the trend in collections over the past five or six months.

Senator Molgat: On the subject of arrears, the tables that you give in the back of the report are excellent. Would it be possible to include such tables in the future? I am referring to the general tables of what you have outstanding in the various provinces in terms of the amounts due on loans and so forth.

Mr. Owen: Yes.

Senator Molgat: Would it be possible to obtain in future years that same sort of table in so far as arrears are concerned?

Mr. Owen: Yes. In fact, we do publish such tables in this statistical booklet every year.

Senator Molgat: What is the policy with respect to lands that you take back? Are they put up for sale by tender?

Mr. Owen: That is right. They are advertised for sale to the public and they are sold to the highest acceptable bidder. The actual mechanism varies slightly from province to province because of provincial laws, but the general principle involved is that they go to the highest acceptable bidder.

The Chairman: Honourable senators, before the minister leaves, are there any other questions you would care to put to him or the officials of the Farm Credit Corporation?

Senator Williams: Mr. Owen, has the Farm Credit Corporation had any difficulty in collecting from Indian Farmers?

The Chairman: Any more than from anybody else?

Mr. Owen: Those Indians who are farming off the reserves are in with the regular accounts, but with respect to those farming on reserves the collection record is about the same as, or a trifle better than, that of other farmers.

Senator Williams: Why is that?

The Chairman: They are good farmers!

Mr. Owen: I see no reason why they should be worse. We have to recognize that they do not have the same capital

investments in land, of course. They do not have to buy land because the land is on the reserve. Therefore, the credit they get from us goes into improvement of land or into machinery or other things which produce income.

The Chairman: If there are no further questions, I should like to thank the minister very much for appearing before us this morning and giving us such an informative statement. We will adjourn now, but I think we will be able to meet again in about ten or fifteen minutes, and we should be able to complete our discussion at that time. Thank you very much.

The committee adjourned.

At noon the committee hearing resumed.

The Chairman: Are there any further questions?

Shall clause 1 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 2 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 3 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 4 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 5 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 6 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 7 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 8 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 9 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 10 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 11 carry?

Hon. Senators: Carried.

The Chairman: Shall the preamble carry?

Hon. Senators: Carried.

The Chairman: Shall the title carry?

Hon. Senators: Carried.

The Chairman: Shall I report the bill without amendment?

Hon. Senators: Agreed.

Hon. Senators: Agreed.

Hon. Senators: Agreed.

The committee adjourned.

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Fourth Session—Twenty-eighth Parliament

1977

THE SENATE OF CANADA

STANDING SENATE COMMITTEE

ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

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...the Commission shall close 6 carry?

Mr. Speaker: Carried.

...The Chairman shall close 7 carry?

Mr. Speaker: Carried.

...The Chairman shall close 8 carry?

Mr. Speaker: Carried.

...The Chairman shall close 9 carry?

Mr. Speaker: Carried.

...The Chairman shall close 10 carry?

Mr. Speaker: Carried.

...The Chairman shall close 11 carry?

Mr. Speaker: Carried.

...The Chairman shall close 12 carry?

Mr. Speaker: Carried.

...The Chairman shall close 13 carry?

Mr. Speaker: Carried.

...The Chairman shall close 14 carry?

Mr. Speaker: Carried.

...The Chairman shall close 15 carry?

Mr. Speaker: Carried.

...The Chairman shall close 16 carry?

Mr. Speaker: Carried.

...The Chairman shall close 17 carry?

Mr. Speaker: Carried.

...The Chairman shall close 18 carry?

Mr. Speaker: Carried.

...The Chairman shall close 19 carry?

Mr. Speaker: Carried.

...The Chairman shall close 20 carry?

Mr. Speaker: Carried.

The Chairman shall I report the bill without amendment?

Mr. Speaker: Agreed.

The committee adjourned.

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