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HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 18

Respecting

Estimates (1966-67) of the Department of Agriculture

FRIDAY, JUNE 17, 1966

WITNESSES:

The Honourable J. J. Greene, Minister of Agriculture. *From the Department of Agriculture:* Mr. S. B. Williams, Assistant Deputy Minister and Chairman of the Agricultural Stabilization Board.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24584—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Crossman,
Mr. Danforth,
Mr. Éthier,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Herridge,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*),
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. MacDonald (*Prince*),
Mr. Madill,
Mr. Matte,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, June 17, 1966.
(22)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 9:48 o'clock a.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Choquette, Clermont, Comtois, Crossman, Danforth, Ethier, Gauthier, Gendron, Godin, Hopkins, Horner (*Acadia*), Jorgenson, Lefebvre, Madill, Matte, Moore (*Wetaskiwin*), Neveu, Peters, Pugh, Rapp, Schreyer, Tucker, Watson (*Châteauguay- Huntingdon-Laprairie*), Whelan—(25).

In attendance: From the Department of Agriculture: The Hon. J. J. Greene, Minister of Agriculture, and Messrs. S. B. Williams, Assistant Deputy Minister; C. R. Phillips, Director General, Production and Marketing Branch; J. S. Parker, Director General, Departmental Administration; W. R. Bird, Director, Crop Insurance.

The Committee resumed consideration of the estimates of the Department of Agriculture for the fiscal year 1966-67, on Item I.

The Chairman introduced the Hon. J. J. Greene, Minister of Agriculture, who made a statement and was questioned by the Committee.

The Chairman thanked the Minister for his attendance and at 11:04 o'clock a.m. adjourned the meeting to Tuesday, June 21, 1966, at 9:30 o'clock a.m.

Michael B. Kirby,
Clerk of the Committee.

24584—1½

EVIDENCE

(Recorded by Electronic Apparatus)

FRIDAY, June 17, 1966.

• (9.43 a.m.)

The CHAIRMAN: I think we will start. We have the minister with us this morning and I think you are all aware that we had promised him the right to come back with a follow up statement on policy, I believe it is. So without any further statement from me, we will hear from the minister, the Honourable Mr. Greene.

The Honourable J. J. GREENE (*Minister of Agriculture*): Mr. Chairman and gentlemen, as you will recall, after my opening statement the members of the Committee went into the general problems of agriculture, as relative to my opening statement, and I was to make a summing up statement after everyone had had their say. There has been some delay in that I have not been able to get here until today, so this statement is a general summing up of the points that were raised by the various members. I will attempt, as best I can, to answer some of the comments and queries that were posed.

Now, I am most appreciative of the very helpful comments that have been made by members of the Committee in discussing the general aspects of agricultural policy. I would, however, like to comment briefly on certain of these observations in order to explain in somewhat more detail certain aspects of the problems that were raised.

The question of goals or over-all agricultural policy has been approached by different members in somewhat different manner. It has been indicated that in my statement I was not forthcoming and had not indicated in detail, government objectives for agriculture and agricultural production. Coupled with this, there have been statements in respect of the rising labour problem.

It did seem to me that in a statement of this nature the most useful thing for me to do is to indicate in a practical, down to earth dollars and cents way, what type of returns we hope to achieve for farmers. These were returns equivalent, at least, to those enjoyed by workers in other fields. I am sure members will appreciate that how this goal is reached, what actions may be taken, what policy may be implemented will vary from time to time. But surely the important thing is that the objective of a fair and equitable return for labour and investment of the farmer is not lost sight of. In this over-all goal many subsidiary matters dealt with are included. Members have commented on labour and rising labour costs. Surely the practical way and, in fact, perhaps the only way of solving labour problems is to improve the farmer's economic position so that he may be fully competitive in the labour market. The same thing is true with regard to costs whether these by the inputs associated with

his day to day operations, such as farm machinery, or whether these be more basic items of capitalization, such as land and building costs.

The supposed partition of the responsibilities of the Department of Agriculture has been commented upon, the example used being that of the Minister of Trade and Commerce reporting to the House of Commons on Canada's participation in the International Wheat Agreement. I, for one, am a little at a loss to understand the concern expressed at this. Surely the Minister of Trade and Commerce, with responsibility for international trade and international trade negotiations, is the right person to report on matters affecting our international position.

Specific information was requested in respect of crop insurance and federal-provincial assistance to British Columbia fruit producers. The question was raised as to whether research work was being done on the feasibility of the extension of crop insurance to the fruit industry in that province. In clarification, I may say that while under the Crop Insurance Program it is the responsibility of the province to develop programs and to submit these to the federal government for approval, representatives of both governments have been working together in the preparation of preliminary data. I am confident that a program can be developed that will prove most useful to the fruit growers of that province.

In this connection it should be noted that a federal-provincial meeting was recently held in Ottawa at which all provinces were represented. At this meeting the entire question of crop insurance across Canada was thoroughly discussed and the views of all provinces were made known to the departmental officials here in Ottawa.

Insofar as concerns the assistance to producers in British Columbia who suffered losses due to adverse weather conditions, the federal government is providing 50 per cent of the funds necessary for the program. The program is based upon mutually agreed upon principles but the administration of the program and the administrative details are being handled by the province. It is my understanding that the payments are being made in orderly fashion.

Several members have raised the question of the impact of the dairy policy for the current year on the cream producers and on the small creameries. In developing the program it was considered that the most equitable approach would be to provide exactly the same level of assistance to producers of dairy products across Canada irrespective of the method whereby they marketed their products. Thus, cream shippers, manufacturing milk shippers and fluid milk shippers insofar as their production in excess of 120 per cent of fluid requirements is concerned, will receive the same payment, namely 85¢ per cwt of 3.5 per cent milk, less the 10 per cent per cwt holdback which will be used to provide a fund to assist in the export of dairy products.

It has been indicated that this places the cream producer in a relatively unfavourable position. Nevertheless, the estimated increase in the total cash returns of cream shippers and the shippers of manufactured milk for the current year as compared with 1965-66, is identical, namely, an increase in their income of slightly over 14 per cent.

In common with other dairy countries of the world, there has been a switch from the shipping of cream to the shipping of manufacturing milk. This has been continuing over the years but has, perhaps, been accelerated by the increased world prices in recent years for the solids not fat portion of the milk. For example, in Canada in 1957, 75 per cent of all butter was made from shipped cream. By 1965 this had dropped to 53 per cent.

Another general area that has been commented upon by honourable members has been that of crop insurance, P.F.A.A. and other related matters. The opinion has been expressed that there could be a possible conflict between P.F.A.A. and certain other departmental programs such as crop insurance. It is quite rightly pointed out that once a producer took out a policy under crop insurance, he no longer was obligated to make a contribution to P.F.A.A. and it should be added he is no longer eligible for benefits under P.F.A.A.

Concern was possibly expressed as to impact of crop insurance on P.F.A.A. as a continuing program. It does seem to me that these programs serve two separate and very distinctive purposes. The P.F.A.A. program per se is essentially a relief program although, over the years, somewhat under 50 per cent of the total funds paid out under this program have been contributed by the farmers themselves and the other 50 per cent by the federal government. It is of interest to note, however, that since the time the present rates for payment were established, the average payment per farmer has been $303 and yet the maximum payable is $800. In contradiction, the average amount of coverage provided in 1965 under crop insurance programs was slightly over $2,000 per policy holder.

Reference was also made to the possible need for the development of a disaster fund to cover farmers' losses other than those associated with crop losses. In this connection it might be noted that certain provinces have funds of this nature and, in addition, protection against losses of many types is available through normal commercial channels.

Another question was raised with reference to the assessment of modern feed lots. The Department of Agriculture is very interested in improving the design of farm buildings and for some years has been supporting a Canadian Farm Buildings Plan Service in co-operation with the provinces. A special effort was made in 1965 to gather information on totally enclosed feedlots and barns with slatted roofs in order to help interested producers with the design of such structures. The department is not conducting commercial scale studies at present with totally enclosed beef cattle feedlots. However, the new beef cattle feeding barn, presently nearing completion at the Experimental Farm at Brandon, is totally enclosed and insulated and has slatted floors and liquid manure tanks. Two cattle barns under planning for the Animal Research Institute at Ottawa also will include these features. From these developments we expect to get useful information on confinement feeding or fattening cattle and on the value of slatted floors.

The University of Saskatchewan is also reported to be planning a totally enclosed confinement type of commercial feedlot, equiped with slatted floors. Consequently, we should soon have the necessary research facilities in Canada to

assess the advantages of these new feeding methods under Canadian conditions. Feeding barns of this type are already in use by producers in southwestern Ontario. Much useful observational information can be obtained from these enterprises and we will keep closely in touch with them for this purpose. However, the gathering of precise research data is usually more readily and more accurately accomplished at the universities or at our own research stations than at privately operated farms.

The question of adequacy of current facilities for the teaching of veterinary science has been raised. Members will be aware that the government has announced a policy of assistance toward the construction of the new veterinary college on the Campus of the University of Saskatchewan. It is my understanding that the projected facilities of this campus, coupled with those of the University of Guelph and the University of Montreal's Veterinary School at St. Hyacinthe, will do much to solve the problem of the supply of professional veterinarians in Canada. In this regard, I think it will have been noted that the contribution to the western veterinary college has recently been increased by some maximum of $1 million by the federal government.

These are the general remarks, Mr. Chairman and gentlemen, that I wish to make in regard to some of the questions that were asked. I hope some of the answers have been useful and if I or my officials can be of any further assistance with respect to their relative areas of responsibility, I would be most happy to try and answer any questions.

The CHAIRMAN: Possibly some members have questions they have intimated already, Mr. Greene.

Mr. RAPP: Mr. Chairman, the minister made reference to the agricultural industry and also to labour. Our agricultural industry, particularly, in the west, is a heavily mechanized industry and it also should be treated as such. It should also have the attention of the department, particularly as far as farm labour is concerned and farm labour should be brought into Unemployment Insurance and the labour should also be in a position to avail themselves of training, the same as the industrial worker, in our technical and vocational schools. A man who may be employed by a farmer to operate a $10,000 to $12,000 combine or a $12,000 tractor must know how to operate these and I have stressed that point before. I think the farm labourer must be given the same opportunity as the industrial worker to avail himself of training. This would put the farm worker on the same basis. I think the minister should give consideration to this.

It is no longer the farm industry that we knew 20 years ago when the farmer would hire a man and in a few days he could show him how to work a small tractor or horses and so on. I would like to stress the point that the farm labour or the farm industry must be treated on the same basis as any other industrial worker in any other industry in our country.

Mr. GREENE: Mr. Chairman and Mr. Rapp, Unemployment Insurance has certainly been discussed and talked about for some years and I can tell you that it is under current discussion. The problem has always been whether or not to make it blanket and complusory that all farm labour everywhere is covered. I noted, from reading the Committee reports, and having heard representations

from members in the House and privately, that most of the members would seem to favour the approach of total coverage of all farm labour everywhere under Unemployment Insurance. And yet in my travels across the country and in asking different working farmers and farmers' groups this, I think there are problems involved.

• (10.00 a.m.)

There are many areas of agriculture that do not want unemployment insurance. We should be ready to accept that we will not be beloved by all if we bring in unemployment insurance across the entire industry. For instance, some dairy people have told me this; I might analogize what I am trying to say here. They say, "well, why should we, both the owner and the worker, be forced to contribute to unemployment insurance because the skilled dairy worker today is never out of work. There is always work; he can quit today at my place and go and work 100 yards up the road, they would grab him in a minute. So why should we contribute unemployment insurance when we do not need it; unemployment insurance is for those who may be out of work." Some dairy people have told me this.

Now, I am not wise enough to assess whether the entire majority would prefer it. The dairy industry is one area; in other segments of the agricultural community I have found there are some, at least, who do not want unemployment insurance. They say their area of farm labour will never be unemployed; it would just be an added cost; more forms to fill out. As one gentleman put it to me: "The government is sticking its nose into my business to an even further degree than it has already and it is in it too far already." I think we must appreciate—

Mr. HORNER (*Acadia*): Do you really think that the government is sticking its nose in too far already?

Mr. GREENE: This is a comment.

Mr. HORNER (*Acadia*): Can I accept that statement of yours?

Mr. GREENE: This is a quote. You were not listening as attentively as you usually listen.

Mr. HORNER (*Acadia*): I was listening, Mr. Greene, and I just wanted to know whether you really meant that and whether I could accept it as such.

Mr. GREENE: This is a quote of what a farmer told to me on why he did not wish unemployment insurance because he felt that the governments, federal, provincial and municipal, already were too deeply involved in everyone's business and this would be a further encroachment. I just point this out to say that I do not think all farmers are clamouring for unemployment insurance. There is a difference of opinion and all I can say is that it is the government's problem to decide which is the more widely desired view by the agricultural community.

Mr. JORGENSON: He must realize now that he is contradicting himself.

The CHAIRMAN: Mr. Rapp has the floor, Mr. Jorgenson. I would like him to finish.

Mr. RAPP: What about the other point I brought up concerning the young people who want to learn farm work and who cannot avail themselves of technical training? By technical training I mean in particular that related to labourers or workers in the west where the agricultural industry is very heavily mechanized. Could training for these workers not be applied in the same way as for industrial workers so that they can then avail themselves of instruction?

Mr. GREENE: I think that is a excellent point and one that is well taken, particularly in the context that you put it, that the situation has changed so much during the last 20 years.

I might point out here, first of all that we in this country are always faced with the fact that education is a provincial responsibility and one that is very jealously guarded and the federal government has to be rather careful in embarking on any measures which involve education. I think in the vocational training schools, for instance, most of them have agricultural segments. Even in my part of the country I know they have, so that aspect of it is probably covered under the vocational training schools.

You are thinking more of advanced training on the job for older workers. I think it can be done under these joint training programs. You might be interested to know, if my information is correct, that the Province of Manitoba, under a joint training program, attempted to do something very similar to what you are suggesting and the problem was that they set up the training facilities but they could not find farm workers to go to the school. I think it is sound and certainly we must put the agricultural worker on a plane where he is just as well off as other workers. I think there is a matter of status also which, in our society, appears to be such an important thing. The farm worker, up to date, is apparently not looked upon as an important person or as having as high a status as the fellow who works in a motor car plant. I think this is another phase in what we must prepare the farm worker as best we can for a more sophisticated form of labour than he did 25 years ago.

Secondly, I think it is pretty important to indicate that in Canada the farm worker is just as good and important a person in our society as any other worker. I think it is one of the reasons why young people do not go into agricultural labour today.

But I think the point is extremely well taken and will certainly be noted, Mr. Rapp.

The CHAIRMAN: Mr. Jorgenson, do you have a supplementary?

Mr. JORGENSON: The minister stated, during the course of his earlier remarks, that he thought one of the ways in which the problem of labour could be resolved is to make the farmer competitive in the labour market. Now, does he honestly believe that? Recently there was a contract signed with Seaway workers which brings them pretty close to $3 per hour. Does he honestly believe farmers are ever going to be that competitive?

Then he states that he does not think that unemployment insurance should be granted to farm labour.

Mr. GREENE: No, I did not say that.

Mr. JORGENSON: This is one of the reasons why the farmers are not competitive because unemployment insurance is not available to farm labour. Labourers will much prefer to be working in industries where, if they are laid off, they have an opportunity, at least, of getting a basic wage to carry them through the winter months, There are many farms that do not have year round employment. The minister spoke of the dairy farmer and, true enough, in the dairy farms there is work available the year round, but this is not the general area in which labour is so short today. It is in those farms where there is seasonal employment.

I cannot, for the life of me, see why farmers or workers working on farms where there is seasonal employment should not be just as eligible for unemployment insurance as those labourers who are working in other seasonal occupations and who have unemployment insurance available to them.

Mr. GREENE: Let me make my position quite clear with respect to unemployment insurance, since it appears that I put it badly. I have publicly made my position clear many times that I am in favour, and very much in favour, of unemployment insurance for farm workers. The only issue in unemployment insurance was whether or not it should be brought in blanket across the board for all farm labour or whether it would be possible to bring it in in segments.

For instance, if the fruit industry wished unemployment insurance we could put it in there without necessarily having to put it into the dairy segment of farm labour. This, because of the rules and regulations of unemployment insurance and of the Unemployment Insurance Commission, has apparently not been possible to take. So the current question is whether or not it should be put in blanket and right across the board. I think most members of Parliament are in favour of this and the only thing I wish to point out is that this does not mean all persons engaged in agriculture are in favour of this blanket approach.

Many say, "I would like unemployment insurance but I would like to be able to take it or leave it". Of course, you cannot do that once you have unemployment insurance; it either goes in or it does not go in. If it goes in, it is compulsory, not selective.

Mr. HORNER (*Acadia*): A supplementary question. Why could you not bring it in on a voluntary basis? A man could carry around his unemployment insurance book and you could put the stamps in it if you so want.

Mr. GREENE: That is not the basic principle of the Unemployment Insurance Act.

Mr. HORNER (*Acadia*): It is a condition of heart. Why could it not be brought in, sir, on a voluntary basis?

Mr. GREENE: You would have to change the whole basis and philosophy of the Unemployment Insurance Act.

Mr. HORNER (*Acadia*): It is not necessarily the philosophy you might have to change, in order to make an amendment.

Mr. GREENE: Workmen's Compensation is not optional, it is compulsory.

A further thing, Mr. Jorgenson, with regard to your question, I think undoubtedly Workmen's Compensation, unemployment insurance, these ameni-

ties, if you like, which labour in other fields have, are some of the things we can do to make farm labour more attractive. It does not mean that the steel worker must make no more than someone working in a textile plant—there are differences in the labour market—but in the end result, I think if the farmer is not able, because of his economic position, to pay attractive wages then we are not going to solve the farm labour problem. I think that is the ultimate solution.

Mr. SCHREYER: Mr. Chairman, on this very point, I think most of us are dreaming when we think that, with a few changes et cetera, our farmers will be able to hire or obtain farm labour. The fact is that many farmers themselves are not able to obtain a decent return on their own labour input and I doubt that the day is close, unless something is done about basic price in the agricultural industry, when we will ever come really close to solving the farm labour problem.

Mr. Chairman, I had one question to do with technical vocational training, as it relates to agriculture. I would ask the minister if the federal department is in any slight way involved with technical vocational training as it relates to the agricultural industry?

Mr. GREENE: It comes under the Department of Labour, as you know, and do we have people who go on their committees, and so on? To what degree and what contribution do our people make? It comes under the Department of Labour but I am instructed that some of our people are on the committees, working with the Department of Labour in developing the programs.

Mr. SCHREYER: My last point, Mr. Chairman, is this. The minister intimated that technical vocational training relative to agriculture comes under the field of education, therefore the federal government must work in co-operation with the provinces. Now, there is nothing wrong with that but I would ask the minister if it could not also be looked upon as coming under agriculture, which is a federal-provincial field. The federal government could take the initiative in technical vocational training to train farm workers if the federal department really wanted to. Does the minister really believe that there is any sort of constitutional problem?

Mr. GREENE: Well, this has always been one of Canada's problems. I think anything to do with education is probably the paramount right of the provinces, which the constitution and the courts have guarded most jealously. I really cannot say, if it came to a constitutional question of whether it is agriculture or whether it is education, who would win in the Supreme Court of Canada. But I think that in anything to do with education, most would agree that it is very important for the federal not to step in of its own volition, but to work through and with the provinces who have that responsibility. It certainly is my view and I would think it is one we should stick to but I do not think it is one that would preclude the development of agricultural education.

I think agricultural education through the vocational training program, has worked quite well. Most schools I know of, under the plan, have agricultural sections, which is something new and something worthwhile.

Mr. SCHREYER: Mr. Chairman, to conclude, I will put a blunt question to the minister, although I do not think it is an unfair one. Why has more not been

done with respect to technical vocational training of people for the agricultural industry? The minister suggests that most schools, of which he is aware, have some such sort of programming. From my experience, in western Canada, I would say to him that almost no schools offer such a training program.

Mr. GREENE: Schools in western Canada have built vocational training schools under the act. Do they not have an agricultural section as well as one for mechanics?

Mr. RAPP: In Moose Jaw, for instance, they have mechanical training in engines, tractors, welding and so on.

Mr. GREENE: You see, it is one thing to have education but you have to have people who want to take that education. If people do not want to be farm labourers there is not much we can do. We are talking about farm labourers, I think, not so much as training people to run their own farms better. I am not trying to minimize the problem, believe me; one of the grave and crucial problems with respect to Canadian agriculture is where does this pool of farm labour come from; how do we make this an interesting vocation and a profitable one? I do not profess to have any easy answers.

As you know, this is not a Canadian problem. From the little knowledge I have been able to acquire of what goes on in agriculture in the rest of the world, I find they are having the same problem. I found it in France; I found it in Yugoslavia; I found it in England, that the pool of farm labour, which always used to be available in a more depressed society because it was a sort of pool of unskilled, marginal labour and it was always there, has now that our society has become more affluent, disappeared. One of the great problems is to see how we can make it available. I agree that education is part of it but we could have all the schools in the world and if nobody wanted to be a farm worker, they would not do us any good.

Mr. SCHREYER: Mr. Chairman, may I ask one last question? The minister is convincing when he says that the problem is really not so much one of having the school training facilities but one of the availability of potential farm labour itself and also the wage level factor. I would ask the minister has the department been giving serious and systematic consideration to the possibility of setting up employment service offices in some of our Indian reserves? What about our indigenous Indian population? What about setting up one or two or three regional offices across the line to try and obtain a labour supply? Or in Mexico or Portugal or anywhere?

Mr. GREENE: Well, again, of course, you get into the complex—

Mr. SCHREYER: Farmers are not organized to do this sort of thing.

Mr. GREENE: No. The Department of Labour apparently does this, to a certain degree. When you get into foreign labour you get into the Department of Citizenship and Immigration. The West Indian labour that is coming into the tomato country was evolved, I think, by that department.

But with respect to our own native Indian population, I am not aware of whether anything has been done in this regard. The Departments of Labour in the provinces, I am instructed, have attempted this.

An hon. MEMBER: They have a labour office in practically every town; I am quite sure of that.

Mr. GREENE: No, but he was stating, specifically, with respect to the Indian population. I am instructed that this is being done and is working quite well.

Mr. JORGENSON: Whenever you can find an Indian who will go to work on a farm.

Mr. GREENE: I guess the basic problem applies to Indians as well as to others.

The CHAIRMAN: I think Mr. Jorgenson meant, Mr. Minister, that even the Indians recognize that farm labour is not treated the same as other labour in Canada.

Mr. ÉTHIER: Mr. Minister, we have on the order paper a motion dealing with the National Dairy Commission. Is it too early at this stage to give us some broad idea of how it will work?

Mr. GREENE: Well, as you know, Mr. Éthier, it is on the order paper and I hope will be coming before the House in the next very few days and I would prefer to save the discussion until that time. I think it is coming very shortly and you will have a full opportunity to discuss it then. I think we might be transgressing the rules if we had an advance debate here.

Mr. ÉTHIER: I understand the Dairy Commission is going to work in a joint program with those provinces mostly involved in dairy products. Are the main provinces ready for that at the moment? I am thinking of Quebec, Ontario and British Columbia.

Mr. GREENE: Again, as you know, this is a basic Canadian problem. The Courts have held that marketing is a provincial responsibility within our constitution and yet once a product crosses a border, it becomes a federal responsibility. The marketing of any product will work best if you have a federal marketing agency and also provincial marketing agencies working in conjunction with the federal agency to cover the whole ambit of the marketing of that product.

Now, regarding your specific question with respect to a National Dairy Commission, the province of Ontario has, as you know, a provincial marketing board which is geared to and will work with the National Dairy Commission and which was set up in discussion and negotiation with our federal people. It was set up with the very specific purpose of working in conjunction with us when the National Dairy Commission is evolved by the House. The province of Quebec does not yet have such an undertaking; undoubtedly, this is going to make it more difficult, to have effective national marketing of dairy products until the province does complete its plans. They were announced in the last Throne speech. It has now gone down the drain, I would take it. I am instructed that there is apparently a board, of a type, but not one that is specifically geared to work with the plan of the National Dairy Commission. I think British Columbia does have a board. But the ultimate will be and the plan will only work effectively when there are boards, probably in each province, geared to work in conjunction with the National Dairy Commission.

Mr. ÉTHIER: A while ago some members raised the question that it was hard to get farm labour and very few youngsters want to stay on the farm. There are many reasons for that. At the moment I do not think a young man can begin and operate an economic unit on a farm unless he has $10,000 cash in his pocket. Do you think, Mr. Greene, there is a possibility of changes occurring in the Farm Credit Corporation loans system to enable especially young farmers under 30 years of age to apply for a loan? Now they demand 25 per cent; you cannot get a very good economic unit under $40,000, if a farmer wants to make a living out of it which means it is necessary to borrow $10,000 in cash. Do you foresee any change in this or any exceptions being made for young farmers, whereby they could make a down payment of something like, say, 10 per cent?

Today, a man with a small job which is perhaps not guaranteed for more than a year, can go to Central Mortgage and get a loan of $10,000 or $12,000 with just his lunch-box in his hand whereas a farmer who has $3,000 or $4,000 in his pocket cannot get a loan on a farm. Do you foresee any change in the Farm Credit Corporation's laws on that?

Mr. GREENE: Mr. Éthier, I know you have been very keen on this subject and quite rightfully so. You have made these representations to me forcibly and often, as have other members, and also, in the debate in the House on my estimates, this came up very enthusiastically from many members. As a result, I made representations to the advisory board of the Farm Credit Corporation to go into this question in detail. They are considering it at the present time; they have given me an interim report and I am going to follow this up very assiduously. I certainly think your point is well taken and the advisory board of the Farm Credit Corporation has it under advisement at the present time.

Mr. ÉTHIER: Thank you, Mr. Greene.

(*Translation*)

Mr. MATTE: I would like to know how much does each farmer pay personally, each Western farmer, for crop insurance. How much does he pay for a $1,000 coverage? Could you tell me? What is the premium for a $1,000 coverage in the West?

(*English*)

The CHAIRMAN: I am going to make just one suggestion, Mr. Matte. We have Mr. Bird, who is a specialist on crop insurance, and as soon as the minister's summing up of his policy statement is finished, we will continue with Mr. Bird and the question could possibly be answered in a more detailed way at that time.

(*Translation*)

Mr. GREENE: About 6 to 12 per cent.

Mr. CLERMONT: Mr. Greene, in your remarks you might have mentioned, before I arrived, a subject that is presently in the news, namely the importation of eggs. I understand you have certainly received correspondence from members of farm associations of Quebec and perhaps some from other provinces. Is there any possibility that this situation can be improved?

Mr. GREENE: The problem of importation of eggs is, of course, always one of price; when prices are good there is always the danger of bringing eggs in. At the present time, as a result of the representations made by yourself and by, I think, the UCC, the Department of National Revenue is now investigating to see if these importations are contravening our anti-dumping laws.

I must say I am not entirely happy about the application of our anti-dumping laws. It seems to me it does not work quickly or effectively enough; by the time we get through investigating, it is too late to do much good. Certainly it is an area that needs to be worked on and I appreciate having it drawn to my attention and I intend to do what I can. I think, maybe, we need to apply them a little less diplomatically and a little more in the interests of the farmer.

Mr. CLERMONT: It seems that this situation is repeating itself nearly every two years. I understand, according to figures, that in 1961 we exported about 160,000 cases of eggs but in 1963 we imported 190,000 cases of eggs. I think the production, marketing and methods will have to be improved and let them know the prices of these eggs.

Have you received any representations, Mr. Greene or Mr. Williams, from farm groups concerning this?

• (10.30 a.m.)

Mr. GREENE: I am instructed that we have requested the information and that we are now working with them to try and find for them the information they want in this regard, Mr. Clermont.

Mr. CLERMONT: This is my last question, Mr. Greene. During the questioning of Mr. Williams, reference was made to the Cheese Factory Improvement Act. I understand that since 1962, no subsidies have been paid toward the amalgamation of cheese factories. Can this subsidy be brought back?

Mr. GREENE: The cheese amalgamation subsidy is still on the statute books; it is still in effect on paper but since 1962, when the program was abrogated really by Treasury Board, it has never been revived. The thinking is, generally, that the act, which has been a useful one and the program which has been a useful one, had pretty well used up its course, that most of the amalgamation that was needed, or the vast majority of it had been completed and, accordingly, Treasury Board has never seen fit to reinstate it. It was a Treasury Board decision.

I might point out that, not too long ago, a program in one particular instance, which effected amalgamation, was achieved under ARDA even though the act, as we know it, under the cheese factory amalgamations and under the Department of Agriculture, was not in effect.

Mr. CLERMONT: To finish, we were told, during these questions and replies that once in a while your department receives requests for such a grant.

Mr. GREENE: Yes, that is true.

Mr. CLERMONT: Thank you.

Mr. GREENE: In order that you will not be confused, as I was, by the fact that you see in the estimates that some grants are being made, it is because they are programs that were accepted prior to 1962 and are now being carried out.

The CHAIRMAN: I want to clarify a statement I made, Mr. Jorgenson, about the Indians recognizing farm labour. What I meant was that even Indians recognize that if they go and do farm labour they are not treated the same as labourers in other fields of industry.

Mr. HORNER (*Acadia*): Treated the same by who?

The CHAIRMAN: By the government, as far as unemployment insurance is concerned, because even if they worked in an amusement park for three or four months in the summer or some part-time job at a resort or something, they get unemployment insurance. They may work six months on a farm but they do not get unemployment insurance and this is why so many of them object.

I do not believe they are all aware of the fact that if they work on a poultry farm they get unemployment insurance; whether they are out driving a tractor or a combine on a poultry farm, they are still covered by unemployment insurance.These people do not have the difficulty that a great many other farm people have. I just wanted to clarify what I meant.

Mr. HORNER (*Acadia*): Mr. Chairman, I have a series of questions which I will put quite quickly and briefly. First of all, with regard to the farm help problem, did the minister make any special effort to bring over, through his department, an increased amount of farm help through immigration? I notice that last year something like 2 per cent of the immigrants who came over to Canada were for farm labour. Has the minister or the department made any special effort in this regard to bring over interested people to work on farms in Canada?

Mr. GREENE: We are in constant communication with the Department of Citizenship and Immigration. We realize the need, as well as you do, and we are doing what we can.

Mr. HORNER (*Acadia*): No special advertisements though, I understand?

Mr. GREENE: No, there have been no special advertisements.

Mr. HORNER (*Acadia*): What does the minister think of the Sedgwick Report regarding immigration in which Mr. Sedgwick states that sponsored immigration should be curtailed or eliminated, in view of the number of years farm labour has been sponsored by farmers and brought over to Canada, particularly since the war. Has the minister made any representations in this regard or is aware of the Sedgwick Report?

Mr. GREENE: I am aware of the Sedgwick Report. I can only say that, insofar as I am concerned, I believe that in the agricultural sector, which is my responsibility, we need as much capable farm labour as we can get and I will certainly oppose any philosophy or policy which will preclude our acquiring it.

Mr. HORNER (*Acadia*): In other words, you are prepared to oppose that recommendation of the Sedgwick Report in cabinet, if you have not done so already?

Mr. GREENE: I have not said that. I have said that any provision that will make it more difficult to get farm labour in Canada will not have my support. I think we need farm labour.

Mr. HORNER (*Acadia*): But we must do more than just say we will not have a negative approach or that we will not give any program our support. What I believe—and I hope you and your department does too—is that you must take the initiative and go on the offensive to gather and reap farm labour for the agricultural industry in this country. Do you not agree with me on that?

Mr. GREENE: I agree with that. Farm labour is very hard to get anywhere in the world.

Mr. HORNER (*Acadia*): Do you not think that perhaps we should be doing more advertising through the Department of Agriculture or through the Department of Immigration?

Mr. GREENE: I think that is a point well taken and I will certainly take it under advisement. We have not done it to date but I think it is an excellent suggestion.

Mr. HORNER (*Acadia*): Thank you. I have a few more questions, Mr. Greene. With the economic approach, you suggested that farm labour will, in a sense, resolve itself as soon as we can establish farmers in an economic position where they will be able to pay wages comparable with those in any other industry. In realizing this fact, did you, as Minister of Agriculture, protest the increased cost of shipping on the Seaway, particularly because this had the effect of shrinking the economic margin on which a farmer would be able to live?

Mr. GREENE: The increase in the longshoremen's wages was—

Mr. HORNER (*Acadia*): No, I am not referring to the longshoremen's wages. I am referring to the Seaway tolls and the tariff put on the locks, which was a new innovation.

Mr. GREENE: As I understand the process with respect to the Seaway tolls, and again I am not an expert in this field, the Seaway Authority determines this and then makes recommendations to cabinet. I do not think it has reached that level yet. I think the Seaway Authority are considering this proposition and are to report, if I understood the Minister of Transport's expression in the House in this regard. Until such time as the Seaway Authority reports to the cabinet there is no action taken by the government. The government will have to cross that bridge when it gets to it.

Mr. HORNER (*Acadia*): When you do get to that bridge, are you prepared to defend the farmers in opposing any application for an increase in these tolls, which will have an effect on the increased cost to the farmers?

Mr. GREENE: I do not think at this time I am prepared to answer a question which is hypothetical, except to say that my job is to protect the farmers' interests in every way I can and that I shall always continue to do that. That is why I am here.

Mr. HORNER (*Acadia*): I do not think my question is quite as hypothetical as you suggested, Mr. Greene, and I would hope you would be prepared to act very vigorously on behalf of the farmers concerned in this matter.

Mr. GREENE: I get the message, sir.

Mr. HORNER (*Acadia*): Are you aware, Mr. Greene, that many, many farmers across Canada are faced with increasing costs, whether they be big or small, while their gross sales and their products have no real relationship. This is the basic problem; they have no real relationship to the cost. I am thinking here of the pension plan. Have you had any representation from farmers, generally, that this pension plan is an increased cost which they must bear and yet they cannot tack on to their price for their product?

Mr. GREENE: Yes, I have had some representation in that regard. I have also had representations from farmers who were in favour; they said that this was something which was available to them the same as it was to everybody else. When we spoke earlier about unemployment insurance and so on, the point was made that surely the farm labourer and the fact that he can get the Canada Pension Plan the same as everyone else—

Mr. HORNER (*Acadia*): I am talking about the farmer himself, Mr. Greene, not the farm labourer. I believe the farm labourer should be entitled to the pension plan. When you are farming—as I hope some day you are—you will realize that you build up your pension as you build up your farmstead and your farm and that, in a sense, you are putting aside a nest egg for your pension, which may not be declared income until you die. Then, all of a sudden, your estate is worth something. But this is income on which, in a sense, you should be able to pay a pension premium but you cannot and, therefore, the pension plan has little or no effect on farmers.

I wonder if you and your department have considered asking the government to exempt farmers from the pension.

Mr. GREENE: I can only point out that the same argument is applicable to any individual businessman. I would point out that the farm organizations both endorsed the Canada Pension Plan.

Mr. HORNER (*Acadia*): What do you mean when you say "both"?

Mr. GREENE: Both the Farmers Union and the C.F.A. endorsed the plan.

Mr. HORNER (*Acadia*): I just wanted to make sure to which you were referring.

Mr. GREENE: This is something which is government policy and is now the law. The government will have to be prepared to be judged by the farmers, as well as by other people in Canada, on whether or not this was the right thing.

Mr. HORNER (*Acadia*): Mr. Greene, in your opinion and in that of your department, what percentage of the farmers do you think will be covered by the Canada Pension Plan?

Mr. GREENE: What percentage of farmers—

Mr. HORNER (*Acadia*): Earn enough income to pay into the plan.

Mr. GREENE: You know the limitations of the Canada Pension Plan; I think it is $800 a year minimum. Well then, I do not have before me the percentage figures of farmers who make an income below that.

Mr. HORNER (*Acadia*): In other words, you have made no detailed studies in that regard.

Mr. GREENE: The Canada Pension Plan, as you know, does not specifically come under the Department of Agriculture, but I think that surely if our policies are sound and are evolved in a proper fashion, there will be no farmers who are not covered. If our agricultural policies are good, surely all farmers will make more than that minimum income.

Mr. HORNER (*Acadia*): That is taxable income.

Mr. GREENE: But if they make less than the minimum.

Mr. HORNER (*Acadia*): That is net income.

Mr. ASSELIN (*Richmond-Wolfe*): It is not obligatory to the fund.

Mr. JORGENSON: I just want to ask a supplementary question on whether the minister would be prepared to make a study on how many farmers are not going to be covered by the Canada Pension Plan.

Mr. GREENE: I would be pleased to do so and report back to the Committee.

Mr. HORNER (*Acadia*): I have two or three further questions, Mr. Chairman. Has the minister taken into consideration the effects of rail line abandonment, in the prairies particularly, and the Canada Grain Act, which states that a licensed elevator must be on trackage?

If I may just state briefly, Mr. Chairman, if this is not changed it will have the effect of adding 5¢ or 10¢ a bushel truckage or haulage on the farmers' expense, an additional expense, rather than coming under the Crowsnest Pass rate and the rail freight rate. In other words, if we have three railway lines and the middle one is pulled out, then the farmers living close to the middle one must haul that extra 30 or 40 miles, putting at 5¢ to 10¢ a bushel tariff, an increased cost, on the producing of that grain. But if that elevator is left there and allowed to be licensed then the grain companies or the railroad will have to take the grain from that elevator and move it.

I know of elevators in western Canada from which the railroads are trucking out grain and I just want to make this point. Are you aware of this and will your department give it very, very thorough consideration because it is going to mean an increased cost to the farmers and this is what I am afraid of. I am greatly afraid of anything that puts up the cost because sometimes the farmers' prices do not bear a relationship to the costs.

Mr. GREENE: Certainly I am aware of the problem and, in the rationalization program, these are matters which will all have to be considered. Now that we are in an era, not of where we can sell what we produce but, in future years, of being able to sell everything we produce, the key to the future of the western wheat farmer and the big question, to a very large degree, is how economically can we move it at world prices that will be profitable to the farmer. I think this is the very essence of the future problems of the wheat farmer and certainly it is something to which I will be paying great attention in the next few years.

Mr. HORNER (*Acadia*): One or two further questions. Has the department—I want to be as kind to them as I can—benefited from the errors they made in the method in which they brought in the Charolais bulls of last year? In other words, are they going to be more careful in bringing in more bulls this year in

only allowing what might be called registered producers of Charolais cattle to bring them in? Or are they just going to continue on the first come, first served basis of last year?

Mr. GREENE: The department, of course, did not bring in any animals. These were brought in privately, as you know, and the department last year issued permits which are not restricted to Charolais, but are permits for the importation of cattle. With respect to the problem, which seemed to be troubling a number of the members, of whether these were to stay in Canada, I have told the two members who were most concerned in the House of Commons—

Mr. HORNER (*Acadia*): Do not rate us, please.

Mr. GREENE: Then perhaps I should say the two members who had brought up the matter in the House of Commons—that we instituted an inquiry among all the persons who had brought in Charolais last year and only one, out of the whole group, indicated that he was considering applying for the exportation of one Charolais.

Mr. HORNER (*Acadia*): Mr. Greene, you are well aware that the department has definite policies laid down with regard to registered seed and that only registered seed growers get the first variety, the first strain and so on. You are well aware of the fact that Charolais importation into Canada is completely different from the importation of, say, one of the English breeds.

Mr. GREENE: You can bring in any breed of cattle. Anyone can bring in Herefords.

Mr. HORNER (*Acadia*): Let us be frank, Mr. Greene, you are surely aware that there has been no importation of Charolais cattle into the North American continent for a good many years?

Mr. GREENE: That is quite true.

Mr. HORNER (*Acadia*): This puts this breed and the bringing of this breed into the North American continent into a different category altogether than the English breeds.

Mr. GREENE: If I understand your position on this, what you are advocating is that no-one but registered Charolais breeders should be permitted to import Charolais cattle.

Mr. HORNER (*Acadia*): This is one of the restrictions which I think the department should very, very seriously consider. In other words, I am not going to strongly condemn you or the former minister for bringing in Charolais cattle, but I do think it is an ignorant department and minister who does not learn by past mistakes. In other words, experience is by far the best teacher.

Mr. GREENE: And you say it was a mistake to bring in the Charolais or a mistake to permit anyone except a member of the Charolais association to bring in these cattle?

Mr. HORNER (*Acadia*): I say it was a mistake to bring in Charolais in the manner in which they were brought in a year ago. There should have been stipulations laid down one of which should have been that only a registered breeder should have been allowed to bring them in.

There could have been other stipulations made, such as that no female be exported from Canada, from this breed, for the first 10 years after arrival. The Canadian taxpayers have spent a lot of money in developing the quarantine station; we took a risk. In other words, the Department of Agriculture and the government of Canada placed the whole live stock community at a risk in bringing these in. You are well aware of this and I know you will agree with that. I am referring to the risk of foot and mouth disease, Mr. Chairman.

The CHAIRMAN: Could I say something on this, Mr. Horner. I think we are shortly going to be dealing with the health of animals and I know several members have intimated to me that they want to bring up this very same subject. Possibly, at that time, when Dr. Wells and other officials are here, it would be most proper that we have a detailed discussion, when all these opinions and questions could be utilized to great advantage at that time.

Mr. GREENE: I just want to make this clear so that your thinking is clear on this. I am sure you will appreciate, Mr. Horner, that we do not issue permits to bring in Charolais—we issue a permit to bring in cattle.

Mr. HORNER (*Acadia*): Well, Mr. Greene, I know what you did in the past. This is a policy decision, Mr. Chairman, and this is why I want to take this a little further with the minister, if I may, because I realize this is a policy decision, and that the minister is the one who has the key on policy. I realize that you only issue permits to bring in cattle but I am making the point that while I am wholeheartedly in support of the bringing in of Charolais cattle and commend the former minister for doing this, I wish he had done it properly; that is all.

I hope both you and your department now recognize, that the bringing in of Charolais cattle to the North American continent and to Canada in particular, is something absolutely different than bringing in any other registered English breeds. Therefore, you should set up specific rules and regulations under which they can be brought in including the length of time females, in particular, should or have to remain in Canada.

Mr. GREENE: I want to clearly get your views on this because you are knowledgeable in this area and it is important we know exactly what your views are. First, you feel that no one but a registered Charolais breeder should have permission to bring them in. Is that correct?

Mr. HORNER (*Acadia*): Yes. I would support that theory.

Mr. GREENE: Secondly, you believe that there should be restrictions up to ten years?

Mr. HORNER (*Acadia*): I said from five to ten years. I only suggest this but you could work this out, for females, at least.

Mr. GREENE: For females, at least, these are you views.

Mr. HORNER (*Acadia*): Certainly, Mr. Greene, the Charolais industry received a real shot in the arm with the importation of these cattle—and you can look at your figures and my figures. The beef and livestock industry means more to Canadians than sometimes our much toted wheat. We have a golden opportunity, here on the North American continent, to build up a seed plant of Charolais cattle and I just want the government to be fully aware of this fact and to allow our livestock industry in Canada to benefit from some of the policies which have been adopted.

Mr. DANFORTH: Mr. Chairman, this is a supplementary question.

The CHAIRMAN: Well, Mr. Muir's is supplementary too. I am just trying to be fair here. We are going to be finished soon.

Mr. DANFORTH: We have asked the department and the minister, during the presentation of the estimates in the House, if this Committee could be provided with a complete and detailed explanation of the importation of Charolais cattle, and, had we had this, it would would have been a lot easier for us to ask the questions and to know exactly what the government was doing. My supplementary question is, is this report being compiled and will it be provided?

The CHAIRMAN: Mr. Danforth, the Committee has the subject of the Department of Agriculture, the health of animals and the importation of cattle from countries not traditionally free of foot and mouth disease. We have this. It was sent last week to the members.

Mr. DANFORTH: I never received it.

The CHAIRMAN: We sent it out because we wanted the members to have it before Dr. Wells came, and I am sure I have it in my office.

Mr. DANFORTH: I never received it.

The CHAIRMAN: Some of the members have it with them now.

Mr. GREENE: We will make sure you get one, Mr. Danforth.

Mr. DANFORTH: I wish you would.

Mr. HORNER (*Acadia*): I have one further question but it is on another subject matter.

Mr. MOORE (*Wetaskiwin*): I have a supplementary question here. I do not believe this permit need necessarily be confined to breeders of registered Charolais; any bona fide cattle breeder should have as much right to get a permit. I do not question that at all because, in the first place, Charolais cattle are primarily a quasi breed. I think to allow speculation is to defeat the purpose of importation because if the Americans want Charolais cattle they can issue permits to their breeders and have them brought in under a separate deal.

I read an article written by someone who did not seem to know too much about the cattle business in which he said: "What are they kicking about? Here is a fellow in B.C. who sells a share in a bull, for a lot more than he paid for it, of course, but all he is sending out of the country is the semen." He wanted to know what is wrong with that. I say there is nothing wrong with it.

But that is not the point under consideration at all. It is the selling of the actual animals which were brought into this country in order to improve the breed and believe me, I am all for it. As an experiment, I have used Charolais in cross-breeding through the A.I. units in Ontario. Naturally, there is a need for these cattle, but I do not believe the purpose should be defeated by allowing them to come into this country and then go out at a profit because this is not the purpose for which they were brought in, especially in the case of the females.

I have talked to the heads of the Charolais association, I know some of them personally and I have even visited the farm of one man and have talked to him on two or three occasions since and they feel that especially females or their female offspring should not be allowed out of the country for a number of years. I do not think it should be ten years, but at least for a number of years, and two, at a minimum. That is all I have to say.

The CHAIRMAN: The House is going to be in session shortly. Mr. Pugh has a question but I do not know if we have any more time.

Mr. PUGH: Mr. Chairman, on this present subject, a number of people have asked supplementaries and when I want to ask one—I am not saying this in any way of criticism at all—our time is up. But the point is this, and I do not care whether this goes on the record or not, when will we see the minister again? I am not going to be here next week; I do not know what the agenda is.

The CHAIRMAN: Maybe we can find out when Mr. Horner is branding cattle or something like that, then we can make arrangements with the minister.

Mr. PUGH: He has another question, too, and I have quite a number of them here. You see what I am getting at. It is a question of timing. What I have to ask might take a little while. Certainly I want to ask supplementaries on farm labour and unemployment insurance; certainly on the freeze; the Canada Pension Plan and a number of other questions.

• (11.00 a.m.)

Mr. GREENE: The point is that we want to move these things along if we can and I am prepared to be here any time I possibly can.

The CHAIRMAN: I have a list of several members who are probably in the same position as Mr. Pugh and who want to ask the minister questions. All next week we will continue on the estimates and try to get as many of them passed as possible. Then, during the following week, we could try to make arrangements to have the minister appear before the Committee.

Mr. PUGH: Could I put a couple of suggestions here inside of two minutes? Is the minister pressed for time? With reference to the Canada Pension Plan, I would suggest that in certain types of fruit farming, for instance in cherry growing where farmers are very, very lucky to get one crop in three years and are exceedingly lucky to average that, under the Canada Pension Plan they can only work on the maximum of $5,000 in any one year. and are therefore two years out in their averaging under the Canada Pension Plan. This means that by the time a farmer is ready to retire he is retiring on no Canada Pension Plan whatsoever, or very very little, if you work it out, as I have. Therefore my first suggestion is that it be averaged in much the same way as income tax is averaged for a farmer.

The second point is that the minister mentioned the fact that he found a number of farmers who said: "No, we do not want this unemployment insurance." As in all forms of industry, it is not the employer but the employee who must be considered. In the case of the farmer it is a twofold deal in that he must seek his workers in the employment field and I know from personal experience as, no doubt, so does the minister, that many workers are loathe to work on a farm unless they can get their stamps in their book. There are full-time employees on farms with no stamps and no unemployment insurance.

I suggest we look into this thoroughly, both from the point of view of the employee and the farmer.

I do not want to start on the question of the freeze now, but those are the two suggestions.

Mr. HORNER (*Acadia*): I have more questions, too, Mr. Chairman.

The CHAIRMAN: I still have the names of several members. The meeting is adjourned.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 19

Respecting

Estimates (1966-67) of the Department of Agriculture

TUESDAY, JUNE 21, 1966

WITNESSES:

From the Department of Agriculture: Mr. S. B. Williams, Assistant Deputy Minister and Chairman of the Agricultural Stabilization Board; Mr. C. R. Phillips, Director General, Production and Marketing Branch; Mr. W. R. Bird, Director, Crop Insurance.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24658—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Crossman,
Mr. Danforth,
Mr. Éthier,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Herridge,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*),
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. MacDonald (*Prince*),
Mr. Madill,
Mr. Matte,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Yanakis—(45).

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, June 21, 1966.
(23)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 9.45 o'clock a.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Berger, Clermont, Crossman, Danforth, Ethier, Gauthier, Godin, Herridge, Johnston, Laverdière, Lefebvre, Madill, Matte, Moore (*Wetaskiwin*), Nowlan, Olson, Peters, Pugh, Rapp, Stafford, Tucker, Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan, Yanakis (24).

Also present: Mr. McLellan, M.P.

In attendance: *From the Department of Agriculture*: Mr. S. B. Williams, Assistant Deputy Minister; Mr. C. R. Phillips, Director General, Production and Marketing Branch; Mr. W. R. Bird, Director, Crop Insurance.

The Committee resumed consideration of the estimates of the Department of Agriculture for the fiscal year 1966-67, item 15, Production and Marketing.

The Committee completed questioning the officials of the Department of Agriculture on Crop Insurance.

At 10.55 o'clock a.m. the questioning of the witnesses continuing, the Chairman adjourned the Committee to 9.30 o'clock a.m., Thursday, June 23, 1966.

Michael B. Kirby,
Clerk of the Committee.

24658—1½

EVIDENCE

(*Recorded by Electronic Apparatus*)

TUESDAY, June 21, 1966.

● (9:45 a.m.)

The CHAIRMAN: Gentlemen, we have a quorum, so we will call the meeting to order. We have with us this morning Mr. Williams, the Assistant Deputy Minister; Mr. Phillips, the Director General of the Production and Marketing Branch, and Mr. Bird, the Director of Crop Insurance. The item this morning to be discussed is crop insurance. You have all received your summary of this before. I think, possibly, if Mr. Williams or Mr. Bird want to say anything to start off the meeting, it will be quite in order.

Mr. W. B. WILLIAMS (*Assistant Deputy Minister, Department of Agriculture*): No, Mr. Chairman, I do not believe we have anything specifically to add to the statement which is in the document that all members have.

Mr. ÉTHIER: Mr. Chairman, on a point of order, I think we are losing our time on this committee. According to one member's version in the House of Commons last night, he said everything was done for eastern farmers between the years 1957 and 1962.

Mr. CLERMONT: I do not need to read his speech; I listened to it last night.

The CHAIRMAN: Well, I think this is beyond the powers of this committee.

Mr. CLERMONT: Yes, but we lost time listening to him last night too.

The CHAIRMAN: Order, please. This is not the place to bring this up because we have nothing to do with what members say or do in the House. They have their right to do this, that is their prerogative; we also have the right to talk in the House.

Mr. PUGH: With respect to crop insurance, naturally I am interested in the province of British Columbia; no crop insurance program has been completed as yet. I was wondering how far the negotiations had proceeded with the agricultural people in British Columbia, whether, as far as the fruit crops are concerned, there is thought to be an insurmountable barrier; and if they find they are arriving at something, how full will the coverage be? Can we have a brief rundown on that?

Mr. WILLIAMS: This is a very difficult question to answer, Mr. Pugh, because there are many policy decisions which will have to be made by the province itself in respect of, for example, how full the coverage they may wish to offer might be.

I think the best statement I could make is that we have been working with the province on a continuous basis with respect to this, and as far as we can see, there is sufficient data available, and sufficient work has been done to indicate

that there should be no particular impediments to providing suitable coverage in the province of British Columbia.

Mr. PUGH: So that, just to button it up, you feel that the proposed federal fee is broad enough to cover almost anything that the policy in the province of British Columbia might set.

Mr. WILLIAMS: I know of no points of conflict at the present time, Mr. Pugh.

Mr. PUGH: Thank you.

The CHAIRMAN: Are there any further questions on crop insurance? This was discussed during one morning.

Mr. DANFORTH: Mr. Chairman, I would like to ask a question on rather a broad principle. I understood from the minister that the basis for the introduction of a new act with regard to crop insurance was the fact that there was a meeting between the ministers of agriculture of the various provinces and their staff, together with the federal minister, I understand, here in Ottawa, when this matter was discussed in some detail. Are there plans for continuing meetings of this type in order to further implement this federal scheme, or is there a definite committee set up of the various departments in order to correlate this on a dominion basis?

Mr. WILLIAMS: There are no firm plans which call for continuing meetings on any type of a regular basis. I would say, however, that this meeting to which you made reference was between the staffs of the provinces and the staffs of the federal government because more than one department of the federal government was involved. It was the second meeting of that nature which has been held and presumably, as the need arises, further meetings will be held.

I may say that in so far as continuous liaison is concerned, this is Mr. Bird's particular function and he travels regularly across the country and meets with the crop insurance agencies in the various provinces as time permits, and as need requires.

Mr. DANFORTH: Based on the fact that these meetings have been confined in the past to four provinces, would it be a fair question to ask if the other provinces, and I am thinking of Quebec and Ontario in particular, are showing a live interest, and give any indication that plans are under way to introduce provincial legislation along these lines?

Mr. WILLIAMS: All provinces, with the exception of Newfoundland, have either introduced legislation or have indicated that they are preparing legislation for introduction. Newfoundland has expressed interest in the matter, but I do not believe they have made any specific policy statement or any particular definite move in terms of actually introducing legislation.

Mr. DANFORTH: Thank you, Mr. Chairman.

Mr. PUGH: I want to sort of establish a Manitoba scheme which has been in now for a few years, and has proved successful. There will be nothing to stop them from taking advantage of the better deal which the federal government is offering now?

Mr. WILLIAMS: I am not sure that I understand your question, Mr. Pugh. It seems to me we are moving into an area where we have an act which has not been introduced as yet in the House; it is in the process of being introduced, and I do not think I should be the one to make statements as to what it might or might not contain.

Mr. PUGH: I was not on a fishing expedition, actually, sir. It is only that it is obvious that this is going to be an improvement from the federal participation and probably from crops as well. The Manitoba Act has been working, and I believe successfully. I would take it then—if I could put it another way—that every province in Canada, regardless of whether they have been going on or not, will be able to take advantage of the new act.

Mr. WILLIAMS: I think I can best answer your question by saying that the original act contains a provision which says an agreement, once entered into between the federal government and the province, must remain in effect for five years unless mutually cancelled. Therefore, any action which might or might not be taken subsequent to the signing of an agreement by the federal government, or by a provincial government for that matter, in amending their legislation could not amend the agreement. Now, having said that, there is nothing in the legislation to inhibit the two contracting parties from mutually agreeing that their current agreement should be terminated, and writing a new agreement under any particular legislation which might be developed later.

Mr. PUGH: Yes, and in the realm of political practicality, this is probably what will be done.

Mr. WILLIAMS: The actual act states, and I am reading an extract from it, obviously:

> Every agreement shall continue in force so long as the provincial law remains in operation and the province continues to give full effect to the agreement or until the expiration of five years from the day on which notice of intention to terminate the agreement is given by the Minister with the approval of the Governor in Council to the province with which the agreement was made, but notice of intention to terminate an agreement shall not be given until after the expiration of five years from the day the agreement came into force.

So in essence they have a ten year period from the day the agreement came into force, but that is factual, of course. The next part says:

> An agreement may with the approval of the Governor in Council be terminated at any time by mutual consent of the parties thereto.

However, there is another clause in here which provides:

> No regulation by reference to which an agreement with a province has been made shall be altered except with the consent of the province or in accordance with the regulations to which it has agreed.

Mr. PETERS: Could I ask a personal question? We are having difficulty in Ontario and in the province of Quebec in relation to crops and the liability which may fall on a third party outside of an agreement. Has the government taken into consideration any of the implications in this particular field, and if

so, what recommendations are they making now that they are going into extension crop insurance programs with some of the provinces involved? I am thinking of the rainmaking equipment being used in the province of Quebec and in Ontario by hydro, by the lands and forests, and in some cases by private contractors, which may or may not have an appreciable amount of influence on the weather conditions, but certainly the farmers are of the opinion that this type of equipment is producing some very disadvantageous results.

I have a bill on the order paper which, if you have read, may indicate the point I am getting at, where there is a third party liability, obviously in this, if it works, which could bankrupt the government if one agency decides to work against another agency.

The CHAIRMAN: What you mean, Mr. Peters, is it could sabotage the very principle of this act.

Mr. PETERS: That is right.

Mr. WILLIAMS: I think I should say in respect of this that this has not been specifically covered by any legislation that I know of associated with the Crop Insurance Act.

Mr. PETERS: Would it not be wise to write into the Crop Insurance Act some section which would license this equipment so that there could be compensation if it works?

Well, members of the committee laugh, but it is interesting to note that the Department of Agriculture decided to pay $250,000 last year to get rain in Renfrew, and whether or not it did, I am not prepared to say, except that last fall you could not harvest the crops up there because they had so much rain. Now, whether they work or not is still debatable, but it has become an interesting kind of phenomenon. In my part of the country, for the last four or five years, there has not been a major bush fire; it is so wet you cannot walk through the bush most of the time. So it is much worse to some extent. Now what I suggest is that if we are going to pay compensation for the damages done, then the person who is doing the damage should pay compensation to the crop insurance program.

Mr. WILLIAMS: In so far as the protection that the crop insurance agency or the fund might have against this, under the current act the agreement with the province has to specify the nature of the losses insured against, and the manner of ascertaining and determining such losses. One would have to presume, I suppose, that if it were considered that in a particular area this could create a problem, this would have to be covered in the agreement in the manner in which the nature of the losses were specified and the method of determining them.

Mr. PETERS: I presume that rain, in a legal sense, would have to be covered by insurance against weather loss, and whether that is man-made, or by nature, I suppose, would not be really determinable.

Mr. WILLIAMS: I am afraid I could not give an opinion on that, Mr. Peters, as to whether it could or could not be determined.

Mr. PETERS: Well, let us say that the provinces of Quebec and Ontario decide to cover hay, for instance, and the situation develops such as it did in St. John for a period of three or four years, and in northern Ontario for the last three years; then whatever coverage you provide would be almost a total loss.

Would not this have a major bearing on the operation of crop insurance?

• (10:01 a.m.)

Mr. WILLIAMS: As I said a moment ago, it would be a factor which would have to be considered in the agreement with the province. If indications were that the rainfall was or was going to be of such a nature, and that there had been a major change in the rainfall pattern, this would have to be taken into consideration in setting the rates. If it were felt, for example, because of circumstances such as you have described, that is was impossible to determine whether rain would be excessive, or would not be excessive, I would presume that someone would have to reach a decision as to whether excessive rainfall would be a coverable item, or would be an insurable indemnity, an insurable cause, at least, of loss.

Part of the act says, in essence, that the premiums must be actuarially sound; they must be such as to ensure that the scheme will be self-sustaining. It would be impossible to issue policies covering the particular writ for which it was impossible to determine premiums.

Mr. HERRIDGE: I have a supplementary question, Mr. Chairman. Would it not be possible for the Department to go into this aspect which Mr. Peters has mentioned and see whether they could not investigate the circumstances to see if there are any sound grounds for including this type of provision in any future agreement?

Mr. WILLIAMS: Yes, it certainly would be possible, Mr. Herridge.

Mr. PETERS: Perhaps I could ask an additional question. In the province of Ontario last year it must have been felt that if the Renfrew area were left in drought conditions the cost would be so high. If rain could be induced, that would reduce the total loss by an appreciable amount. The provincial government gambled that $250,000 on rainmaking equipment would warrant their spending that amount to save a considerably larger sum of money.

Therefore, it must be calculable in deciding whether or not this is a factor, and therefore the reverse would be true; if you were to negotiate a contract these would be some of the ponderables which you would have to consider, I would think. Therefore, I believe there should be some interest on the part of the Department to assess this. In the case of the Lake St. John area, I understand there was damage there to the extent of about $14 to $18 million, and the provincial and federal goverment grants now amount to something over $10 million or $12 million for that area over a period of four years. Part of this is attributed, or at least alleged to be the responsibility of the federal Department of Transport because of the rainmaking equipment they installed on test programs.

There must be a method of calculating how much the risk is, and if that is true then is it not necessary for the department to lighten this type of

equipment, particularly in agricultural areas where it is going to be a major factor in any type of crop insurance program?

Mr. WILLIAMS: The question was asked, as I understood it, as to whether the department felt it was possible to predict the effect of rain inducing equipment. First of all let me say that I certainly have no knowledge whatsoever as to the ability of these various devices to produce rain or inhibit hail or whatever weather modifying properties they might claim to have.

It is my recollection, however, that the Department of Transport, meteorological branch, did some investigational work on this matter and that their report was—and once again I am speaking solely from memory—that they were unable to determine any particular pattern in weather changes associated with the use or non-use of this particular equipment. But I would think that the Department, insofar as the administration of the crop insurance act is concerned, would have to rely on expertees from outside its boundaries rather than within its boundaries. In other words, we would rely on opinion from those who are trained in this area because we do not have staff which would meet the necessary qualifications to give us a sound opinion on these matters, and the Department would, in administering this act, have to rely on experts from outside the Department, I would think.

Mr. PETERS: Mr. Chairman, you will find that is confusing too. I have checked with Queens University and Toronto University, and I just forget which bats are on which side, but the scientists in both areas are at opposite ends of the problem. One group says it does have a definite and proven calculable amount of influence, and the other one says of course it does not. But I think it still does not relieve those who are going to administer the crop insurance program from looking into this.

Can I ask you an allied question? What have we done about these things? What effect has the use of smoke generators and spray equipment, mist equipment, and in some cases noise equipment, in those areas where there is the likelihood of frost? I am thinking of the systems they use in California where there is a large expenditure made to prevent loss. Is this a calculable prevention of loss as well?

Mr. WILLIAMS: Once again I would only have to express an opinion on this matter. The basic method which would be used, I believe, although we do not have such coverage anywhere at the present time, would depend upon what a provincial agency presented to us for approval or otherwise.

I believe the method which probably would be followed would be that at present under all programs of crop insurance the incumbent is required—that is to say the holder of the policy—to follow good practice. If, for example, in an area there is a bad plague of grasshoppers, and one man is severely damaged and everybody else around him is not seriously damaged; the people around him have used spray and he has not used spray, or he has not used the same kind of spray or something of this nature, it would be incumbent upon him to demonstrate that he had followed good practice.

I would presume that the same thing would hold true in respect of frost, that if most of the people in the area were able to protect themselves by any of these devices from frost damage, the people who did not use the method of

protection which was followed probably would have difficulty in making valid claims against the crop insurance agency because of the clause included that they must follow. I am not sure of the exact wording—approved practive, normal good practice, or good practice.

• (10.10 a.m.)

(*Translation*)

The CHAIRMAN: Mr. Gauthier, a supplementary question?

Mr. GAUTHIER: Still in regard to insurance for a known cause such as rain-making machines, I wonder whether the crop insurance agency, would not enjoy the same rights as a private insurance company, that is the right to make a claim against the companies owning the rain-making machines, as private insurance companies do in covering property, for instance I am paid by the insurance company, and it is the insurance company that lays a charge against the party responsible for causing the damage. I wonder whether the crop insurance agency could not follow the same course and lay charges against the firm or companies responsible. And this would not affect the farmer who has taken out crop insurance at all, because it is not the farmer who has been responsible, but a third party who has been responsible. Has the crop insurance agency the right to recover its losses from the party responsible, such as the company owning rain-making machines. It has been found that so long as the lumber companies have teams working in summer camps—we shall have rain. When you have 3,000 men in the forest obviously we must have rain-making machines to keep the brush wet and this will obviously create disaster amongst the farmers. The Government will have to stop the companies felling wood in the summer time and then we will get rid of the rain-making machines. Mr. Williams said that the evidence does not clearly show that the rain-making machines do cause damage but I think that after all that has happened and all the research there has been, that there is no doubt whatsoever that these rain-making machines do cause excessive rain. Where we have cloud-seeding by plane—we are so accustomed to hearing planes that we find after 2½ hours we have rain after seeding by plane. I think this is evidence that the company that provokes artificial rain is certainly responsible for endangering the crops. I wonder whether we could not lay a claim against the responsible companies?

(*English*)

Mr. WILLIAMS: First of all, I would not want it to be said that I said it was very doubtful that this rainmaking equipment worked. All I said was that the report which I read said it was very doubtful that this rainmaking equipment worked.

In response to Mr. Gauthier's direct question, I believe that he has suggested probably is quite true and quite feasible, although it is a legal opinion which I am not in a position to give. I do not believe it would be the federal government which would have the responsibility for making these particular claims. It would be the provincial people under their provincial legislation who actually issue the claim of insurance, and who have first responsibility for making the indemnity payments. Under the federal legislation there is quite a major deductible which must be paid by the province before the federal government

becomes involved if losses exceed the reserve funds, shall I say, which have been built up by the province to cover indemnities.

(*Translation*)

Mr. GAUTHIER: Would this make a difference if the disasters provoked by cloud-seeding whereas terrestial machines come under the Provincial responsibility. You see the difference as to whether artificial rain is provoked from the air or provoked from lands. Is it the Provincial Government which has to make the claim if it is a case of cloud seeding?

(*English*)

Mr. WILLIAMS: Once again this is a legal opinion, but it would be my personal opinion that it would not make any difference. It would be a matter for the insurance agency to make a claim against the causative agents irrespective of whose authority they came under.

The CHAIRMAN: There are two other people, Mr. Herridge, before you who intimated they wanted to ask questions. Is yours a supplementary?

Mr. HERRIDGE: I just wanted to ask Mr. Peters a question. Can I do that?

The CHAIRMAN: Well, I think it is highly irregular, but if it is a good question and you think Mr. Peters has the ability to answer it, I think the committee would be interested in hearing it.

Mr. HERRIDGE: I was interested in what Mr. Peters had to say, and I was following his excursion into astrophysics most carefully.

Mr. Peters said something about sound affecting crops. The only knowledge I have a sound affecting crops is that martins will not mate when there is too much noise around. What did you mean by that?

Mr. PETERS: This is used in southern California to scare off predatory birds. Sound is hard on birds and therefore they do not eat the cherries and peaches and that sort of thing.

Mr. HERRIDGE: That has a beneficial effect on crops?

Mr. PETERS: Oh, yes. Incidentally, Mr. Chairman, this rainmaking equipment quite often would have a beneficial effect too. Over-abundance of it, I would imagine, is the difficulty and this might even be true with sound.

The CHAIRMAN: Inability to shut it off when you want to. Mr. Madill is next on the list.

Mr. MADILL: Mr. Chairman, my question was partly asked, but I was going to ask about crop insurance for tobacco growers, and I am thinking particularly of frost at harvest time more so than at planting time.

For instance, last year 50 per cent of the tobacco growers on the 29th of August had 75 per cent of their crop ruined by frost damage. Now, some of them had personal insurance with insurance companies. Hail will also have to be taken in there with frost, but at a different time possibly.

Mr. WILLIAMS: This will depend entirely on provincial policy decisions or on provincial agencies; they might ask us to enter into an agreement with them, and they must specify what they wish to do.

Mr. MADILL: When you say "they must ask us", do you mean the tobacco growers?

Mr. WILLIAMS: No. The provincial crop insurance agencies.

Mr. MADILL: They should make their first application to the province, and then make an agreement between the province and the federal government?

Mr. WILLIAMS: That is correct.

Mr. MADILL: Thank you.

Mr. WILLIAMS: I would presume, however, that this type of risk would almost automatically be provided for.

The CHAIRMAN: If I may interject my own knowledge of it which may be incorrect, the present provisions of the provincial crop insurance act do not take in specialized frops as yet, and they will not for two or three years.

Mr. MADILL: They have been growing tobacco for quite a while now; it is not just being classified as a specialised crop now.

The CHAIRMAN: Well, I mean crops such as tobacco, tomatoes, and other high cost crops will not, if I understand it correctly—perhaps Mr. Williams can correct me—come under the provisions of the suggested crop insurance act in Ontario for some time.

Mr. WILLIAMS: I do not believe the Act itself inhibits it. I believe it may be their policy decision, but I cannot answer the question. Once again I say this will depend upon policy decisions made internally within the province as they develop.

I think members of the committee will appreciate that it is almost impossible for any province to move from no crop insurance full blown into complete coverage for all crops within the province. It has to be gone into gradually; staff has to be developed, programs have to be developed, and policies have to be developed. I think it is just a question of growth which Mr. Whelan is referring to rather than any factor or any clauses within the act which might say they can or cannot do such things.

The CHAIRMAN: That is what I should have said.

Mr. MADILL: I was going to say that in view of the amount of revenue received from taxation on tobacco, naturally the federal government is not going to overlook that as just being a luxury.

The CHAIRMAN: They should not overlook it as a luxury. Are you finished with your questions?

Mr. MADILL: Yes.

Mr. MOORE: I have a question concerning premiums. In past times, especially in our province and I imagine it is the same in others—when you secure hail insurance from hail insurance companies the premiums vary as to the records of hail, for example, in certain areas.

I was wondering whether, under a joint federal-provincial scheme of crop insurance, when the premiums are set this will be taken into account? Will there be a variation between one area and the other. For example, the

percentage of premium is given on a chart or a map, if you will, at the present time, twelve, fifteen and so on.

Mr. WILLIAMS: Again this will be a matter for the provincial crop insurance agency to determine the provincial government. The present practice in the prairie provinces is that the rates are from district to district. The yield experience generally affects both the coverage and the rates for specific areas. In the province of Prince Edward Island, at the present time the one rate applies across the province as a whole.

Mr. MOORE: Well, my point was this. If a man insures his crop every year for ten years, he usually gets one bad hailstorm in that period. In other words, we feel that it does not pay to pay premiums for ten years because the premiums in that time amount to more than the value of the loss, or the value of one crop, that is the loss which you would sustain in one year. In other words, the premiums are so high that it does not pay to insure over a ten year period. Some of the farmers like to gamble and they insure on a hit-or-miss basis; if they feel that maybe it is going to hail this year they will insure, and then they skip a couple of years, and so on. If they are lucky they are okay, and if they are not, then they are in worse shape than ever.

Now, this is the problem which I am worried about.

Mr. WILLIAMS: Well, certainly this is a decision which the individual farmer has to make at any time. I think all we are doing at the present time, under the crop insurance program, is giving the farmer who wishes to an opportunity to protect himself.

Certainly the rates which are calculated, are calculated on the basis of fairly long-term experience; they are calculated on a break even basis. There are no costs of administration involved. In other words, the calculations show that over a period of ten or fifteen years the farmer will break even, and this applies to the total premium. So that theoretically, over a period of ten to fifteen years the farmer stands to recover what he has paid in himself plus the 20 per cent or whatever percentage the governments do pay in addition to his own contribution.

Mr. MOORE: I can see where there are other factors than hail, because this covers more than hail. It covers many things, and this possibly would even it out. But I just wondered if there was any plan to just blanket, say a whole province, with the same premium.

Mr. WILLIAMS: This again will depend entirely on the proposals made by the province.

Mr. MOORE: In other words, it is possible?

Mr. WILLIAMS: It is possible.

Mr. MOORE: I think it would be an improvement.

Mr. HERRIDGE: Has the Department gathered any experience from the experience of the hail insurance carried for some years by the British Columbia Fruit Growers' Association?

Mr. WILLIAMS: Mr. Herridge, in our discussions with the British Columbia people we have considered their hail experience; we have been keeping in pretty close contact with the hail people.

I think the hail insurance program in British Columbia is a cooperative one, is it not, run by the growers?

Mr. HERRIDGE: It is run by the growers, yes, and very successfully.

The CHAIRMAN: Thank you. Are there any other questions?

Mr. DANFORTH: Mr. Chairman, following the line of discourse this morning, and the emphasis by the witnesses on the share and the part that the provinces play in determining the type of insurance, coverages, the premiums, the crops covered; is it then conceivable under the crop insurance plan of the federal government that there could be ten different plans with different premiums and different crops covered?

Mr. WILLIAMS: Very definitely, there could be. One thing I should clarify here is that while it is the responsibility of the province to initiate these programs, all premium rates must be cleared by the federal government. The province cannot set a premium rate of its own. Under the agreement the department of insurance, acting on our behalf, approves all premium rates that a province may put into effect. Under the act the federal government is required to assure itself that the premiums are such as will make the program self-sustaining.

So while they develop the scheme and they develop the programs, they submit to us, let us say, all their arithmetic used in arriving at these premium rates. All of this has to be approved by the Department of Insurance, and it normally results in quite a bit of negotiation in order to have everybody assure themselves that the coverage provided and the insurance premiums calculated are commensurate with the responsibilities of the department under the act.

Mr. DANFORTH: Then do I presume that the category of crops which the province desires to have covered would also have to be submitted to the federal government for approval?

Mr. WILLIAMS: That is correct. In addition to that the act specifies that the federal government must, by regulations, proclaim what crops are insurable, and there is a list covered in the regulations at the present time. If the federal government is able to assure itself that additional crops should be added to this at any time, they can, of course, be added, or it can be deleted from.

Mr. DANFORTH: In this way then there could be something of a uniformity from coast to coast on the type of premium.

For example, a common crop could be common to a number of provinces, and under this could have a common premium?

Mr. WILLIAMS: I would think it quite unlikely that it would have a common premium. There doubtlessly will be common premiums, but the premium rate is associated with the yield and loss experience. In general, the programs as they become more sophisticated within the province tend to set premium rates based on other than geographical considerations. For example, within the province of Manitoba, their coverage and their premium rates for the

various cereal grains are associated with the soil type rather than the geographic location.

Now, I appreciate that very often the soil type may be associated with geographical location, but it has been found that the uniformity of variability within the crops is more closely associated with the soil type than it is with the geographic location. Therefore, they are using these soil types, but these soil types, of course, may be within a geographical location.

Let us take a hypothetical example of rain. It is entirely possible that within very short distances the rain factor, or the reliability of crops might be changed greatly. Doubtlessly all of you can think of configurations which bring on a little more rain in a certain area or a little less rain in a certain area. That being the case, it is entirely possible that there would be different premium rates for those particular areas.

It is all a case of experience, and based on the development of records as available.

Mr. MADILL: You mentioned different crops. Is tobacco included in the ones on the list that they would cover?

• (10:30 a.m.)

Mr. WILLIAMS: It is listed as being an insurable crop at the present moment.

Mr. DANFORTH: Well, Mr. Chairman, there is one other principle I would like to, if I may, go into in establishing crop insurance. At this conference or at any time during the deliberations with respect to bringing out a federal crop insurance plan to benefit farmers, was any consideration given to the principle of spreading the risk in order to bring the premiums to individual farmers down to a minimum on an interprovincial basis? There are some provinces which are more subject to hail than others. In return, the provinces which are not subject to hail may be subject to periods of drought or periods of excessive rainfall. Now, this does not happen all over all the time and every year.

Was there any consideration given to a blanket coverage over a number of provinces in order that the premiums might be reduced because a larger area was involved than strictly within the confines of a province itself?

Mr. WILLIAMS: This matter was very definitely discussed, and the decision was made that the best way this could be accomplished would be by the federal government providing for reinsurance.

Now, under a reinsurance program this means that losses in one province, at one year, may be compensated for by lack of losses, shall I say, in other provinces at the same time because of the very widespread nature of our weather, as you have described it.

By the federal government agreeing to undertake reinsurance, this means that provinces do not have to load their premium rates for risks associated with the fact that if they had a very heavy loss in one year it would put a burden on their fiscal position and subsequent interest and so forth on funds which they might have to borrow.

We believe the provision of the reinsurance—and it was the opinion of that conference—had much to do with what you are suggesting, namely even out the

risks across Canada so that premiums within a particular area did not have to be loaded for the great risk factor.

Mr. DANFORTH: I appreciate this and I can see how this would work definitely to the advantage of the scheme, and particularly to the advantage of a provincial government. May I ask, is it conceivable that after the scheme becomes universally adopted and is in operation, that this risk factor then could be determined in such a way as to directly affect the reduction of premiums to farmers? In other words, this could be established on the same basic principle which most insurance companies work under by enlarging the area where the risk is involved in order to reduce the individual premium. Is there any thought or conviction that once this is established, such a step would be inevitable or would naturally follow?

Mr. WILLIAMS: It is the thinking of those concerned within the department of insurance and within the Department of Agriculture that as the coverage grows, that is to say, as more crops are covered across Canada, reinsurance premiums will be reduced, and this should be immediately reflected in farmers' premium rates.

Mr. OLSON: This may be only an academic question now, but I never really could understand why the Department of Agriculture did not make far wider use of the personnel and the experience they have with the P.F.A.A. organization in crop insurance.

It seems to me that both this federal government and past governments have been very anxious to have crop insurance as widely applicable as possible across the country, and still they have proceeded with this on a basis of having the provincial governments, who had no previous experience, setting up a program and administering these programs. Yet we have a federal agency which has 26 or 27 years experience in dealing with compensations for crop losses, and they naturally have the personnel, the staff, the records and so on.

I know it does not go as far as crop insurance in its present concept, that is P.F.R.A. has never gone that far. However, was there any special reason why all of this staff and experience which has been built up within P.F.A.A. was not used, particularly when, for example, we find ourselves now in a position where the three prairie provinces are the ones that have gone the farthest in developing a crop insurance program, and this is exactly the same area where P.F.A.A. has been operative over these past 27 years?

Mr. WILLIAMS: While it is true that the operating staff of P.F.A.A. has not been involved, particularly in the crop insurance program the experience that P.F.A.A. has gained in crop loss and crop loss assessment has been used widely by the crop insurance agencies. In addition to that, our present director of crop insurance was a previous director of P.F.A.A. and has had very wide experience and very wide knowledge of the entire P.F.A.A. operations, and has been able to use that, I can assure you, to very good advantage in dealing and negotiating with the provinces, and in assisting them in these various matters of crop loss assessment.

Mr. OLSON: Yes, but there is also a fairly large permanent staff and also a part time staff which have had a great deal of experience over the years in the same general area. Is there any resistance to making use of this personnel?

Mr. BIRD: As a matter of fact, Mr. Olson, we are doing just that to an increasing extent; probably not to the extent you visualize, but we are making some use of the P.F.A.A. staff now. This is something we have in mind, and probably as the operations contract with the expansion of crop insurance, the P.F.A.A. will come more and more into the picture.

Mr. OLSON: I was not a member of parliament at the time of the introduction of federal participation in crop insurance in a different area than the administration of P.F.A.A. Was there any attempt made to expand the activities and the programs under P.F.A.A. so that in the result we would have moved into a comprehensive crop insurance plan far more quickly because of the experience that they have?

I am not sure which year it was that this was initiated, but I suppose it was about 1960 when it got under way in the first stages.

Mr. WILLIAMS: I was trying to find here, Mr. Olson, the statement which was made by the then minister when the legislation was introduced. I am afraid I took it out; I thought I had it here. However, at that time my recollection is that the minister of agriculture, when he introduced the legislation originally, stated there was a question of jurisdiction involved here, and that the policy decision was that there would be provincial agencies rather than an overall plan with the overall program being assisted by this legislation.

I could find that statement for you. It outlines the policy reasons why it was handled in this manner by the minister, Mr. Harkness, when he introduced this legislation. I thought I had it with me but, unfortunately, I think I must have taken it out of my brief case.

Mr. OLSON: I am not going to pursue this farther, Mr. Chairman. However, I was curious as to some of the specific reasons, if there are any, of why all of this experience and personnel and development of policies over so many years was not used more extensively for getting crop insurance as widespread across the country as possible.

Mr. WILLIAMS: I will be pleased to send you a copy of an extract from *Hansard* of that time.

The CHAIRMAN: Have you finished your questioning, Mr. Olson? Are there any further questions on crop insurance?

Mr. PETERS: I too have been surprised that they have not paid more attention to what the experience of P.F.A.A. has been. I would like to ask, was there any discussion, when the provinces were discussing this matter with the federal representatives, of income insurance for provinces, particularly the eastern provinces, Ontario and Quebec, but also taking in the maritime provinces? Was there any discussion of insuring income rather than insuring crops?

Mr. WILLIAMS: There was limited discussion of this matter, and I think the consensus was that since income is composed of two components, namely yield and price, it was a better approach or a more workable approach to deal with these two factors separately rather than to try to bring the two together in one item, but it was discussed.

Mr. PETERS: Is it not true that the objection in Ontario, except in very limited commodities, was, as Mr. Moore has said, the inability of insuring

sufficient crops to produce a reasonable income in any case? The fact is that grain is a fairly easily accessible crop, but the matter of mixed farming involves so many commodities that it was impossible to insure enough of them at a reasonable price to make it worth while to carry that type of insurance. From the discussions which I have had with farmers, it would seem that they have not been the least bit interested in crop insurance, and I do not think they will be now under the proposed legislation.

The method used in P.F.A.A., as I understand it, was that as you sold your commodity a deduction was taken for the coverage—

The CHAIRMAN: I do not want to curtail your discussion, but I think we should limit it at this stage to strictly crop insurance because we will have an opportunity to compare P.F.A.A. this Thursday, practically all day.

Mr. PETERS: Well, I was just drawing the inference which Mr. Olson was drawing, namely that crop insurance has not been successful in the past, certainly in Ontario, and under the new act it does not appear to be any more of a success than it was under the old one. Obviously, some of the provinces like Ontario must have discussed the desire of having an income guarantee rather than insurance on a commodity basis.

Mr. WILLIAMS: As I pointed out, this was discussed. The position that the eastern provinces took in general with respect to the major difficulty in implementing a crop insurance program was the level of coverage provided by the present act.

(*Translation*)

Mr. CLERMONT: A supplementary question. Mr. Williams you mentioned that in Saskatchewan people anxious to get insurance for 1966 totalled 13,000 instead of 8,000. These figures would seem to indicate that the farmers are increasingly interested in carrying crop insurance.

(*English*)

Mr. WILLIAMS: Yes, that is correct. I would not want to quote the figures offhand, but I believe it was the province of Manitoba, not Saskatchewan, that we said it was going up to an estimated 13,000 from 8,000 approximately.

Mr. CLERMONT: Even in Saskatchewan, according to the figures which were given to us, the numbers would increase.

Mr. WILLIAMS: That is right.

Mr. CLERMONT: In every province the numbers would increase?

Mr. WILLIAMS: In every province with the possible exception of Prince Edward Island where it has remained relatively small and changes have not been significant in numbers. The other three provinces have shown quite a significant growth in coverage each year.

Mr. DANFORTH: Mr. Chairman, there is one principle on this crop insurance which has been touched on and with which I am really concerned. We are speaking about crop losses and we deal with percentage of crop losses. There was the indication by the minister that the federal government was very interested in the increase from 60 per cent to 80 per cent dealing with the percentages of crop losses.

What is the thinking of the government and the insurance department in regard to the inability to plant a crop due to weather conditions? For example, on western summer fallow sometimes it is too wet to plant a crop; or in the east here we can run into a late springwhere the crops are planted so late that it has a drastic result in loss of crop production and immature lack of the growing season preventing the correct maturing of a crop; or cutting down the tonnage of crops such as canning tomatoes? What is the thinking with respect to the weather conditions in the spring preventing the planting of a crop?

Mr. WILLIAMS: I do not think I should discuss that at this present moment, Mr. Danforth, in view of the fact that the minister mentioned, in introducing the bill or the amendment in the House last night, that this was one of the factors which was covered in the bill. It would seem to me that until such time as the bill has had at least first reading, that it would not be appropriate for us to discuss it here; probably the House of Commons would be a better place for it to be discussed at this stage.

In so far as the other part is concerned, I can certainly answer that, as to what happens at the present time. If a man gets a crop in the ground and it is wiped out before it really starts to grow, let us say—perhaps it is frost, or wet weather, or perhaps it is wind which blows it out of the ground; it could be almost anything—under the programs in effect at the present time he can elect to take a settlement then and plant an alternative crop. Very often it is possible to save something by planting an alternative crop, and he can elect to do that if he so wishes. On the other hand, if it is doubtful whether the crop will survive, or will produce a crop, he can continue to let it grow; he can harvest it in the normal manner, and if it is not up to the insurable level, he will collect his insurance on it.

Mr. DANFORTH: But under the present system, if we can get back to the original question, if he is prevented from planting a crop there is no insurance on it?

Mr. WILLIAMS: There is no insurance offered at the present time by any of the people involved, nor is it possible under the act to offer insurance on anything but a crop. If a crop has not been planted, the legal people have ruled that insurance cannot be offered on it because it does not represent a crop.

Mr. DANFORTH: But you have indicated that this will be—

Mr. WILLIAMS: This is one of the matters, as the minister pointed out last night, which will be discussed.

Mr. DANFORTH: Thank you, Mr. Chairman.

The CHAIRMAN: Are there any further questions on crop insurance?

Mr. MOORE (*Wetaskiwin*): On the same point, Mr. Chairman, this has been the problem in west central Alberta over the last two or three years, the fact that one crop could not be taken off because of moisture, and therefore the following spring a crop could not be planted. So I would say that is a very important point which should be covered in the new act; it should be taken into consideration.

(*Translation*)

Mr. MATTE: What is the reason for which the other provinces did not sign up the crop insurance?

(*English*)

Mr. WILLIAMS: The reasons which have been presented to the government as to why other provinces have not entered into crop insurance have, essentially, all been connected with the level of coverage, provided there is a maximum level of coverage that can be provided under the present act. The provinces have contended that the crop variations or the variations of yield within their provinces have been such that a 60 per cent coverage is not attractive to them or to their farmers. namely their yields do not normally go down to that level.

The other aspect of this which they have maintained is that 60 per cent will not return to them even the cost of production. This was another reason why they felt they were not attractive. Other reasons have been advanced. For example, it has been stated that one reason they have not entered is that forage crops are not covered. Forage crops are neither covered nor not covered by the act. Any crop could be added to the act by regulation. We have never had a request to add forage crops, for example.

The CHAIRMAN: Are there any further questions on crop insurance? If not, we will consider the questioning on crop insurance finished. We have questions to finish on the stabilization board, the agricultural products board, and then we have P.F.A.A. We do not intend to try to discuss these three subjects this morning because we only have about six minutes left. We have to vacate this room at 11 o'clock this morning for another committee. However, I thought if anyone had any further questions on the agricultural stabilization board we could start them on Thursday morning. We could proceed and finish agricultural stabilization, and if necessary the agricultural products board, and we could meet Thursday afternoon and evening on P.F.A.A. We do not have a meeting Friday morning because we do not sit on Friday.

Mr. DANFORTH: May I suggest, Mr. Chairman, that we terminate this meeting now. Ther reason I say this is because we only have a very few minutes, and when we open up a line of questioning and then break it and postpone the meeting for two or three meetings, it is very hard to maintain the continuity. I have a series of questions I would like to ask on the stabilization act which I feel is very important to Ontario. I feel that under the circumstances to have this break does not lend to the ability of the committee to follow along with the supplementaries which they may wish to desire.

The CHAIRMAN: We will start on Thursday morning with agricultural stabilization. We will meet Thursday afternoon and Thursday evening on P.F.A.A.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 29

Respecting

Estimates (1966-67) of the Department of Agriculture

THURSDAY, JUNE 23, 1966

WITNESSES:

From the Department of Agriculture: Mr. S. B. Williams, Assistant Deputy Minister and Chairman of the Agricultural Stabilization Board; Mr. C. R. Phillips, Director General, Production and Marketing Branch.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

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LEON-J. RAYMOND,
The Clerk of the House.

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The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 20

Respecting

Estimates (1966-67) of the Department of Agriculture

THURSDAY, JUNE 23, 1966

WITNESSES:

From the Department of Agriculture: Mr. S. B. Williams, Assistant Deputy Minister and Chairman of the Agricultural Stabilization Board; Mr. C. R. Phillips, Director General, Production and Marketing Branch.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24660—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Crossman,
Mr. Danforth,
Mr. Éthier,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Herridge,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*),
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. MacDonald (*Prince*),
Mr. Madill,
Mr. Matte,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

REPORT TO THE HOUSE

The Standing Committee on Agriculture, Forestry and Rural Development has the honour to present the following as its

THIRD REPORT

Your Committee recommends that it be authorized to sit while the House is sitting.

Respectfully submitted,

EUGENE WHELAN,
Chairman.

(Tabled June 23, 1966.)

24660—1½

MINUTES OF PROCEEDINGS

THURSDAY, June 23, 1966.
(24)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 9.48 o'clock a.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Choquette, Clermont, Comtois, Crossman, Danforth, Gauthier, Gendron, Grills, Herridge, Honey, Horner (Acadia), Laverdière, Lefebvre, MacDonald (Prince), Madill, Matte, Moore (Wetaskiwin), Neveu, Noble, Nowlan, Olson, Peters, Rapp, Ricard, Tucker, Whelan (26).

Also present: Mr. McCutcheon, M.P.

In attendance: From the Department of Agriculture; Mr. S.B. Williams, Assistant Deputy Minister; Mr. C.R. Phillips, Director-General, Production and Marketing; Mr. J.S. Parker, Director-General, Departmental Administration.

On motion of Mr. Noble, seconded by Mr. Crossman,

Agreed:—That a correction be made in Minutes of Proceedings and Evidence of Tuesday, May 31, 1966, issue No. 10; *page 274*, line 30 should read "Mr. R. K. Bennett, Director, Livestock Division", rather than "Mr. Phillips etc."; *page 275*, line 19 should read Mr. Bennet rather than "Mr. Phillips"; *page 275*, line 28 should read Mr. Bennett rather than "Mr. Phillips".

It was moved by Mr. MacDonald (Prince), and seconded by Mr. Crossman that the Committee report to the House and request permission to sit while the House was sitting.

After debate the motion was *Carried* on Division; Yeas 11, Nays 6.

The Committee then resumed consideration of the estimates of the Department of Agriculture for the fiscal year 1966-67, item 15, Production and Marketing.

At 11.00 o'clock a.m., the Chairman recessed the committee for a five minute break.

At 11.20 o'clock a.m., the Chairman called the Committee to order and members resumed questioning the witnesses. At the request of Mr. Olson it was agreed that the Departmental Officials would supply the method of calculation used by the Agricultural Stabilization Board when setting the formula for the support price of sugar beets.

At 11.55 o'clock a.m., the questioning of the witnesses continuing the Chairman adjourned the meeting to 3.30 o'clock p.m. this day.

AFTERNOON MEETING

(25)

The Standing Committee on Agriculture, Forestry and Rural Development reconvened at 3.56 o'clock p.m., this day. The Chairman, Mr. Whelan, presided.

Members present: Asselin (Richmond-Wolfe), Choquette, Clermont, Comtois, Crossman, Danforth, Gendron, Horner (Acadia), Laverdière, Lefebvre, Neveu, Olson, Peters, Stefanson, Watson (Châteauguay-Huntingdon-Laprairie), Whelan (16).

Also present: Mr. Fane, M.P. and Mr. Southam, M.P.

In attendance: From the Department of Agriculture: Mr. S. B. Williams, Assistant Deputy Minister; Mr. H. S. Riddell, Director, Prairie Farm Assistance Administration; Mr. W. R. Bird, Director, Crop Insurance; Mr. J. S. Parker, Director-General, Departmental Administration.

The Committee resumed consideration of the estimates of the Department of Agriculture for the fiscal year 1966-67.

The Committee completed examination of the officials from the Prairie Farm Assistance Administration. The Chairman and members of the Committee thanked the officials.

On motion of Mr. Clermont, seconded by Mr. Peters,

Agreed:— That the meeting called for this evening at 8.00 o'clock p.m. in Room 308 W.B. be cancelled and that the members of the Committee be notified of this fact.

At 5.33 o'clock p.m. the Chairman adjourned the Committee to 9.30 o'clock a.m., Tuesday, June 28, 1966.

Michael B. Kirby,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

THURSDAY, June 23, 1966.

• (9.45 a.m.)

The CHAIRMAN: We will call the meeting to order.

There are one or two things which I would like to have done before we start the questioning of the witnesses. First of all, there is a correction to be made in the minutes of the proceedings and evidence of Tuesday, May 31, 1966, Issue No. 10, page 274, line 29, which should read as follows: "Mr. R. K. Bennett, Director of Livestock Division, Department of Agriculture" rather than "Mr. C. R. Phillips, Director General, Production and Marketing Branch, Department of Agriculture."

Then on page 275, line 19 should read "Mr. Bennett" rather than "Mr. Phillips."

On page 275, line 28, should read "Mr. Bennett" rather than "Mr. Phillips".

Would someone care to make that motion?

Mr. NOBLE: I so move.

Mr. CROSSMAN: I second the motion.

Motion agreed to.

The CHAIRMAN: Now, there is another thing I want the committee to decide—I probably should have called a meeting of the steering committee to discuss this, but I did not—is the request for permission to sit while the House is sitting. Now, we may not have to use this because we do not have too much more work to do on the estimates, but the quicker we get them back in the House the quicker they will be discussed by the House. We do not know when we are going to adjourn, but we may have one or two meetings next week while the House is sitting, other than next Tuesday when we will have the people here from PFRA.

Mr. PETERS: Mr. Chairman, if we bring these estimates back to the House before the recess—the recess may not be bebore some time in the fall—we might as well go ahead and discuss them.

The CHAIRMAN: In the House you mean?

Mr. PETERS: Certainly. I do not agree with this idea which is being touted around that we have to have all the estimates back before July 1.

The CHAIRMAN: Well, I am only going on what some of the other members of the committee suggest, and what most of the other committees of the House are doing, that is most of them have this permission.

Mr. PETERS: I do not object to this permission. I am just saying that we better not get into the foolish position of aiming for the deadline of July 1.

The CHAIRMAN: I am not aiming for July 1, as far as that goes.

Mr. PETERS: Well, this is June 23. I like to be a little realistic.

The CHAIRMAN: Our progress has been fairly good on the estimates, and I would think that if the committee feels that—

Mr. HORNER (*Acadia*): I do not think we can finish next week.

Mr. PETERS: No, of course, we cannot.

Mr. HORNER (*Acadia*): I was under the impression that the minister was coming back.

Mr. DANFORTH: Mr. Chairman, I would like a clarification on one aspect. You are requesting the committee to consider the proposition of sitting while the House is sitting. Now, for the first time the House is faced with three pieces of legislation which are of prime interest to anyone representing a rural riding. What is the position of the committee if we have permission to sit while the House is sitting, and we are going to be dealing in the House with agricultural legislation

The CHAIRMAN: I realize this is happening today, and we have already made arrangements to sit this afternoon and this evening. We have with us Mr. Riddell who will be here this afternoon and this evening on P.F.A.A. I am making representations to try to stymie this legislation from being brought before the House today. They do not know how far they are going to get in the House today anyhow with labour and other estimates. I hope all of the representatives here will make representations to their House leaders to the effect that this legislation should not become before the House while the Agricultural Committee is meeting.

Mr. DANFORTH: Mr. Chairman, I doubt very much whether we will be able to obtain a quorum this afternoon or tonight if there is any aspect of this legislation coming up in the House. I certainly approve of the position you are taking in requesting that this should not come up. However, my question was: What is our position in this regard?

The CHAIRMAN: Well, I do not think, Mr. Danforth, that I, as Chairman, will even recommend a meeting if I know that agricultural legislation is coming up in the House; I would not recommend a meeting of the Agricultural Committee at the same time. These things are being done without consultation with the Chairman of the Agricultural Committee, and I was only aware of this last night at adjournment.

Mr. DANFORTH: Well I am sure our position, as far as our members are concerned, is that we would have no objection to sitting while the House is in session providing we could have assurance that at that time this type of legislation would not be discussed in the House.

The CHAIRMAN: Well. I think the general feeling of all members of the committee is that the committee should not sit while any agricultural legislation is being discussed in the House itself. However, I would like the committee to consider the motion, and put it to vote here, that we should be granted permission to sit while the House is in session, if it is neecssary to do so.

Mr. MACDONALD (*Prince*): I so move.

Mr. CROSSMAN: I second the motion.

The CHAIRMAN: It is moved by Mr. MacDonald and seconded by Mr. Crossman that we request permission to sit while the House sits. Is there any further discussion on this?

Mr. NOWLAN: Mr. Chairman, well there is one other thing, Mr. Chairman, and this goes back to the remark of Mr. Peters. Is it necessary to get the estimates through before the summer recess? If that is the case, I must say I am a little negative on the subject.

The CHAIRMAN: Well, Mr. Nowlan, if you have checked the estimates which we have discussed you will note we have covered nearly all the topics that come under our expenditures. The only two items which we have not discussed are health of animals and land rehabilitation, irrigation and water storage projects. We had stabilization and farm products lined up for this morning, but we have discussed these subjects more or less for about four meetings now. Of course, I have no way of knowing, as Chairman, how long the discussion will take on these matters, but I feel, from my experience with the Wheat Board and the Board of Grain Commissioners, that the meeting this afternoon should be ample. However, I am not one to suggest curtailment of this. I think we can probably finish this without sitting while the House is in session.

Mr. MACDONALD (*Prince*): Well, Mr. Chairman, we are not committing ourselves to anything other than having permission to sit while the House is in session. Since we have no idea when the House is going to recess for the summer, all we are really asking for is this ability.

The CHAIRMAN: That is right.

Mr. MACDONALD (*Prince*): It may take two or three sessions, or perhaps it will require 10 sessions; we really do not know what we are going to get into. Therefore, perhaps the discussion is a bit hypothetical.

Mr. PETERS: Mr. Chairman, I think perhaps it is hypothetical, but I have no objection to the committee sitting for a specific purpose. As I said, I think we are being unrealistic in thinking that we are going to pass these before July 1. Mr. McIlraith has the idea that he is going to pass the estimates before the summer recess. Well, this is unrealistic; there are just not enough days. I am not in any mood to agree to get into that situation with all the estimates going back into the House before the recess. If we are going to have a recess, we have one; if we are not going to have it, then to hell with it as far as I am concerned. Therefore, I would not agree to this. I have no objection to asking to sit for a day or two if you have somebody in mind you want to hear; I just object to this crazy business—that we have to pass this, we have to pass that and something else, otherwise we cannot have a holiday. Well, as far as I am concerned, we either have one or we do not.

Mr. MACDONALD (*Prince*): We are not discussing this, are we?

Mr. PETERS: Well, this is really the background; Mr. McIlraith wants to get all the estimates back in the house.

Mr. COMTOIS: Mr. Chairman, I think the health of animals branch is very important, and I think the committee will find it quite interesting. Water is very important in my part of the country.

The CHAIRMAN: It is in mine too.

Mr. COMTOIS: I do not think we can possibly wind up next week.

The CHAIRMAN: I am not suggesting that we wind up next week.

Mr. COMTOIS: If we do not wind up next week, we will not get the estimates passed by July 1.

The CHAIRMAN: Since I am a farmer I am naturally an optmist about everything, but I am not that optimistic that we are going to wind up next week. I would say that as my office is in the west block, and is air conditioned, I do not care if we stay here all summer.

However, as far as I am concerned, there are many other committees which are not as important as agriculture, and they have the right to sit while the House is in session. Our committee is a large committee; we have to have a larger quorum, nearly twice as many as any other group, and I, as your chairman, certainly will not recommend that this committee sit while any problem concerning agriculture is before the House.

It is embarrassing to me today to have this matter up because we made arrangements for Mr. Riddell to be here from PFRA all day today, and he actually stayed over in Ottawa to be here for the committee. We have the right to sit while we have people who have travelled quite a distance to be here. I believe if we spend three or four days of concentrated effort on these estimates we can pass them. The House does not have to pass them until they come back next September as far as that goes.

Mr. HONEY: Mr. Chairman, did I understand you to say that we now have permission to sit when there are witnesses from a distance?

The CHAIRMAN: Yes, we do. All other committees have a blanket motion. There will probably be some objection to this in the House; there generally is. You have to give 48 hours notice of motion that you are requesting this permission, and then all they can do is stand up and say "on division."

Mr. HONEY: Then this has already been done?

The CHAIRMAN: I am talking about bringing agricultural officials before the committee concerning their department. For instance, Dr. Wells and the officials right in Ottawa will deal with the health of animals. I can see where we could probably spend two or three days of concentrated effort on health of animals. Then when we are finished we have to sum up and make a report and when we do this we sit in camera.

I am of the opinion that we should not have a blanket arrangement that we adopt the estimates and report them back to the House as approved. I am drafting part of this report myself, and I will be glad to hear from any members of the committee who have any suggestions which would be helpful. The subcommittee will also have work on these before we bring them back to the committee.

Mr. HONEY: Well, Mr. Chairman, can I take a minute to re-assess our position. As I understand it, we could sit this afternoon and evening because we have Mr. Riddell here from a distance?

The CHAIRMAN: Yes.

Mr. HONEY: Mr. Peters has indicated, and it is his undoubted right to do so, that he does not want to give blanket approval to sit at any time while the House is in session.

Mr. DANFORTH: No; he has not said that.

Mr. HONEY: I think that is what he said. If we should pass such a motion this morning, then he will oppose it in the House as he has the right to do.

The CHAIRMAN: He has the right to oppose it in the House. If I ask to have it adopted today, then he has the right, after 48 hours notice of motion, to rise and say on division he objects to it. One man does not have the power to stop this after 48 hours notice is given.

Mr. DANFORTH: Mr. Chairman, we seem to have reached more or less a deadlock.

The CHAIRMAN: No. We have a motion before the committee and I am going to ask for a vote. You can throw it out or pass it, as far as I am concerned.

Mr. DANFORTH: Well, this is unfortunate because I think if we had an opportunity to go through with the meeting today to see how we make out in providing a quorum and one thing and another, we would have an opportunity, when we came back next week, to re-assess our position. In the meantime, if a meeting of the committee is necessary, we will have an opportunity to have one. I feel we might reach a decision this morning which would not be one that the committee would be in favour of perhaps even next week. I am wondering if this should not be held in abeyance until, one, we have more members present, or, two, until we have had an opportunity to discuss this in the steering committee where some of these objections may be ironed out.

The CHAIRMAN: Mr. Gauthier has the floor, Mr. Olson.

(*Translation*)

Mr. GAUTHIER: Mr. Chairman, before we have the vote, I think it would be better to consider...; it is all right maybe to sit this afternoon but tonight it might be very difficult because many of us will have to take a train this afternoon, at 4 p.m., and they won't be able to attend the Committee tonight. We would not like to miss a session. We would not like to miss that part of the Committee proceedings. It is all right to sit this afternoon but tonight, I believe, it is quite impossible.

(*English*)

Mr. OLSON: In speaking to the same point that Mr. Danforth made, there is just one problem and that is, our experience has been that we do not get unanimous consent in the House to introduce this motion without the required 48 hours notice. As you know, tomorrow is a holiday and the end of the week. If we do not pass this motion today and give notice to the House today, then there is no time next week to give 48 hours notice which would be of any use at all next week.

I cannot see why there should be any difficulty because I think the chairman has fairly adequately expressed his viewpoint with respect to when the committee should meet which is pretty well in line with the members of the committee. So, there is no problem except that if we do not put the notice of motion in today, and if any one member—and this has happened invariably—rises in the House without 48 hours notice, then it does not pass. We would not

have an opportunity to meet next week at all while the House is sitting if one member objects.

The CHAIRMAN: I should have explained that that was the main idea because next week is going to be a short week again.

Mr. HORNER (*Acadia*): Mr. Chairman, I would just like to say a word on this. We have a long week end coming up; Mr. Riddell is in town, and if we do not have agricultural legislation in the House this afternoon, I would make a special plea to the committee that we sit this afternoon and hear Mr. Riddell. As I say, he is in town and we would not want to keep him over a long week end. I do not think it is so awfully bad if we do not all just rush into the House this afternoon and come into a committee instead. I see nothing really wrong with this, and I would suggest that we get on with our work right now.

The CHAIRMAN: I am going to put the motion to the committee that we ask permission to sit while the House is in session.

Mr. PETERS: Mr. Chairman, you are being unfair. You have the right to sit this afternoon, there is no question about that.

The CHAIRMAN: I am asking for the motion requesting—

Mr. DANFORTH: You do not need a request for this afternoon.

The CHAIRMAN: This is not for this afternoon, I do not have to have a motion for this afternoon.

Mr. DANFORTH: You do not need a motion to sit this afternoon or on any other special occasion.

The CHAIRMAN: That is right.

Mr. DANFORTH: What you are requesting today is a blanket so that if you call meetings we will sit every afternoon next week or every evening next week?

The CHAIRMAN: I am not saying that at all. Along as progress is made—

Mr. DANFORTH: No, you are not saying that, but this motion would give you that prerogative. Is that correct?

The CHAIRMAN: That is right, the same right as practically every other committee in the House has.

Mr. DANFORTH: I cannot support that.

The CHAIRMAN: All in favour of the motion?

Motion agreed to.

The CHAIRMAN: We will start now with the witnesses who are appearing before us.

I want to remind you first of all that next Tuesday is a long meeting day, and this has nothing to do with the motion just passed. Next Tuesday we have P.F.R.A. before the committee, and there will be three meetings held because the people are coming a long distance to meet with the committee at that time.

The witnesses appearing before the committee today are Mr. S. B. Williams, assistant deputy minister; Mr. C. R. Phillips, director general, production and marketing branch, and Mr. J. S. Parker, director general, departmental administration.

We will start with Mr. Williams on the stabilization.

Some members had intimated to me—I believe you were one, Mr. Danforth—that you had questions for Mr. Williams this morning?

Mr. DANFORTH: Yes, Mr. Chairman. Like many members of the committee, Mr. Chairman, I am very much interested in the position that the poultry industry finds itself in now: especially the egg producers. I would like to use this committee and its deliberations, if possible, to find out basically why it is necessary, and what are the conditions, that are forcing so many poultry producers today out of business; and with them going out of business, all the local grading stations are being forced out of business at an alarming rate. Now, whether this falls under the jurisdiction of the agricultural stabilization board, I am not certain, but certainly when the stabilization board pays subsidies for these grade "A" eggs and for the production of a definite number of eggs, it would have some bearing.

My preliminary question, Mr. Chairman, is this: To what extent is the stabilization board itself taking part in the production of eggs? Is it simply in administration of the act which sets out a subsidy, or is it in any other field in regard to the egg production?

Mr. S. B. WILLIAMS (*Assistant Deputy Minister, Department of Agriculture*): The involvement of the agricultural stabilization board in the egg industry is, I would think, basically, as Mr. Danforth expressed in the first part of his statement. We administer a support program; this support program is determined by government policy, although eggs are one of the mandatory products, but the level of support is presently above the mandatory level so the details of it are matters of government policy.

Our involvement with the industry is essentially limited to a compilation of the national weighted average price. This price is taken from the various markets across Canada and weighted by deliveries. I might say in amplification that the board has done a bit of a study on the data it has received based on the claims made by producers of the changing structure of the industry.

The points which Mr. Danforth raised are borne out in part at least by this study, namely, that there are decreasing number of commercial producers of eggs, and there are increasing percentages of eggs moving into market through other than grading stations. This does not mean to say that there are less eggs being marketed. There are not less eggs being marketed, but less eggs are being marketed through grading stations. They are being marketed on what might be called a special contract basis direct from producer to retail outlet, with the retail outlet setting up the grading facilities.

Mr. DANFORTH: Mr. Chairman, I wonder if it—since it is my understanding that during the past three or four years the producers of eggs wishing a subsidy had to register—would it be possible for the committee to be provided with this information. I am not so much interested in details, but what I am interested in is if this committee could be provided with the information which would allow them to assess actually what is happening in the industry; whether the small farmer is indeed going out of the egg production as we are led to believe by representations made to us from time to time; whether there is a shift in the major production areas of eggs. For example, I suspect that in my particular area the egg production has dropped considerably where, perhaps, in eastern

Ontario or in Quebec there has been a definite increase in the production of eggs. I would like to have before the committee, so that we can look into this in some depth, the actual picture. I know of no other way of getting at this in order to assess exactly what is going on, unless this information can be provided in this manner. Is it feasible and possible that this information can be obtained?

Mr. WILLIAMS: We will be most pleased to provide any information we have. We do not maintain continuous records. The only years we have any records of the structure of the poultry industry are years in which a payment is made. Payments are now made on the basis of claims coming from the producer himself. If the producer does not wish to claim, we obviously have no records.

In addition to that, the data has the following limitations: that within recent years there has been a maximum entitlement of 4,000 dozen grade "A" large, extra large and medium eggs. Many producers—or at least some of the producers—falling in this area do not report to the board their total sales. All they do is report to the board sufficient sales to give them the maximum entitlement because there is no particular purpose in them. So the board's data has these limitations, but we would be most pleased to provide the committee with all the data we do have.

Mr. DANFORTH: Mr. Chairman, may I ask, through their administration of the stabilization price of eggs, if they are familiar with the action taken where the basic methods of indicating the daily price of eggs to farmers was changed in Ontario, I believe, perhaps, three years ago?

Mr. WILLIAMS: I must say that I am not familiar with the minute details of it, but I am familiar with the changes in general, yes.

Mr. DANFORTH: Was it not a fact that the regulations were put in force so that the basis of the daily price of eggs was established at the market not on the eggs as shipped in in cartons, but on the carton price, wholesale-retail of graded eggs?

Mr. WILLIAMS: That is correct. The basic problem here was somewhat as follows. The egg price as quoted was what was known as the "spot" price. The spot price was determined by employees of the poultry division of the department telephoning various egg dealers and asking them what they were getting that day for eggs.

As I mentioned earlier, the pattern of egg marketing has changed in recent years. Many more eggs are marketed under contract. A difficulty started to arise in that this spot price represented a lesser and lesser segment of the total eggs being marketed because it did not cover the contract eggs. As a result, very small surpluses, or very small shortages, tended to distort this spot price. I think you would all appreciate that when you are quoting your price on the surplus portion of the eggs rather than the contracted portion of the eggs, they tend to fluctuate more violently than the over-all egg price does.

The poultry division did quite a detailed study of the prices of eggs at several different levels, trying to determine which was the most stable and most reliable price to quote. They consulted with the various poultry organizations and as a result of all these deliberations it was decided that a better price for

them to quote would be the wholesale to retail price of cartoned eggs rather than the spot price.

Mr. DANFORTH: Was it not true that this change was made from the spot price to the wholesale carton price in Ontario only, and that this did not prevail in any other province in Canada?

Mr. WILLIAMS: At the time that is correct, yes.

Mr. DANFORTH: And is it not true that this remained so until, I understand, just recently when the system is either contemplated or has been put into effect in the province of Quebec?

Mr. WILLIAMS: That is correct.

Mr. DANFORTH: Are there any other provinces that either have this or are contemplating this change?

Mr. WILLIAMS: It is being studied for all marketing centres. I think it would be too strong a word for me to say that at the present moment it is contemplated, but it is being studied as to applicability. The same types of studies are being carried on as were carried on in Ontario.

Mr. DANFORTH: Mr. Chairman, may I ask the witness if there have been representations to his knowledge from the trade over the various aspects of this new regulation which they feel is working to the detriment of the marketing of eggs?

Mr. WILLIAMS: There have been representations from some segments of the trade.

Mr. DANFORTH: And is it not a fact that the drastic change as initiated has worked to the definite advantage of commercial retail outlets? May I rephrase my question, Mr. Chairman, in order that the witness may see the point I am trying to derive at. Is it not a policy now for some commercial outlets—and I am speaking of large grocery chains—to either provide their own cartons for the eggs to be packed in, or that some companies even have their own licenced grading facilities to grade their own eggs for retail?

Mr. WILLIAMS: The latter is certainly true. I cannot speak on the former; I do not know from my own knowledge whether this is the case. I would say, however, that this was a change going on at the time, and was part of the reason why it was considered that the changed method of reporting was necessary.

Mr. DANFORTH: Well, does this not lend itself to certain discriminations where, if it is not possible for a small grading station to obtain the cartons of a retail outlet, there is no possibility of them furnishing a supply of eggs to that particular market?

Mr. WILLIAMS: I do not believe I could answer that question, Mr. Danforth. I can obtain an answer for you, but this is somewhat out of my field, I am afraid, and any answer I would give would be a matter of personal opinion only, not a matter of fact.

Mr. DANFORTH: Well, Mr. Chairman, I have a whole series of question based on this particular aspect. Perhaps it is not fair to the other committee members

who have questions to ask on stabilization, and I would be willing to pass at the present time in order that they might ask questions, if I might be allowed to come back when they have finished.

The CHAIRMAN: Agreed.

Mr. MOORE (*Wetaskiwin*): Just to follow this up and for clarification of the committee, what is the present stabilized price of "A" eggs?

Mr. WILLIAMS: The support program for eggs at the present time is 34 cents a dozen for grade "A" large, with the entitlement being that 4,000 dozen shall be made up of extra large, large, and medium. That is to say, while the national weighted average price is determined on the basis of grade "A" large, a producer in claiming can claim the subsidy on extra large and medium grade "A"s as well as grade "A" large. In addition to that, there is a support level of 31 cents for an additional 6,000 dozen with the same qualifications as I mentioned earlier applying to it.

Mr. MOORE (*Wetaskiwin*): At the present time what is considered the cost of production for a dozen eggs? Is it 28 cents or 29 cents?

Mr. WILLIAMS: I think when one speaks of cost of production figures one can get almost any cost of production, depending on the efficiency, the area, and things of that nature, but the figure which has been quoted is one that very often is quoted.

Mr. MOORE (*Wetaskiwin*): Now, switching to hogs; the stabilized price of a hog at the present time, I understand, is $23.65 in Toronto. Is that correct?

Mr. WILLIAMS: No, not in Toronto. That is on a national basis.

Mr. MOORE (*Wetaskiwin*): It is?

Mr. WILLIAMS: Yes, it is on a national weighted average basis.

Mr. MOORE (*Wetaskiwin*): I think this possibly would not make the hog producer feel very safe. What I am trying to say is that the price at the present time is ridiculous in view of the going prices, and I have not checked the markets in the last little while. Is it 30 some odd cents at the present time?

Mr. WILLIAMS: Yes, a good deal above 30 cents; in the high 30s.

Mr. MOORE (*Wetaskiwin*): Yes. There is just one other point I wanted to bring out. The present stabilization price of hogs means nothing, and many of the hog producers are quite concerned about this because from past experiences they realize the price could break at any time. If it does, of course, with the high cost of production, the stabilized price of $23.65 is unrealistic. Now, is this present price of $23.65 based on a ten year average?

Mr. WILLIAMS: I should correct something I said a moment ago. At the present time the price support for hogs is not $23.65, it is $21.78; it is the 80 per cent mandatory. The board has taken no action with respect to hogs for the current year. The specific reason why the board took no action is exactly as has been outlined, namely it was felt that the $23.65 was not a reasonable figure at the present time, and it would be much better for the board not to ask the governor in council to put into effect a price support. In other words, being a mandatory

product, the board has to determine what the 80 per cent is and has to record that figure. If we had gone to the government and received a support level of, we will say $23.65, or any intermediate figure, the law states that once a level of support is arrived at above the 80 per cent, it must remain in effect for 12 months. Were the price of hogs to break very badly, the agricultural stabilization board's hands would be tied.

Mr. MOORE (*Wetaskiwin*): Providing they had already set a price ceiling.

Mr. WILLIAMS: That is right. So the concept is at the present moment that we are better off because hogs are at the present level. There appears to be no cloud, shall I say, on the horizon, or at least not on the immediate horizon. It was felt that the agricultural stabilization board could do a better job for the hog business by, in essence, holding a watching brief, and not have its hands tied with a price support which was determined at a time when there were no problems.

Mr. MOORE (*Wetaskiwin*): That is exactly what I wanted to know. Thank you very much.

Mr. HORNER (*Acadia*): I noticed that under the stabilization board, livestock division, that people inspect stockyards to see that they are run efficiently, is that right?

Mr. WILLIAMS: Not under the agricultural stabilization board. That comes under the livestock division of the production and marketing branch.

Mr. HORNER (*Acadia*): Well, under either one or the other. The federal government inspects the operation of stockyards and the passing of livestock through them. Am I right?

Mr. WILLIAMS: We have certain supervisory functions under the stockyard act, yes.

Mr. HORNER (*Acadia*): Does this include the inspection of scales?

Mr. WILLIAMS: I believe so, yes.

Mr. HORNER (*Acadia*): I was reading an article from an American paper under their stockyard act to the effect that in 1965, when they inspected the scales, they found that 22.9 per cent of them were out.

The CHAIRMAN: Mr. Horner, I was wondering if this has anything to do with stabilization, unless you are building up to it.

Mr. WILLIAMS: I think I should correct something, Mr. Horner. We do not actually inspect the scales. The Department of Trade and Commerce, weights and measures branch, have the responsibility for the actual inspection of the scales.

Mr. HORNER (*Acadia*): What is covered under the stockyard act?

Mr. WILLIAMS: One of the major activities under the stockyard act is the supervision of the trust account.

Mr. HORNER (*Acadia*): You do supervise the trust account?

Mr. WILLIAMS: That is correct.

Mr. HORNER (*Acadia*): We noticed recently in Alberta, in the last couple of years, let us say, a few deviations or mishandling of trust accounts. These were not in some of the major markets, nor were they in some of the major commissions at the major markets. Do you think that your inspection of trust accounts should be widened?

Mr. WILLIAMS: Our supervision of trust accounts under the act at present is limited to public stockyards in the province of Alberta. I believe the other centres are covered by provincial legislation.

Mr. HORNER (*Acadia*): Well, this is a point that I would like to make. Do you think that more and more of the stockyards should be taken under federal supervision?

Mr. WILLIAMS: Well, there is a question of authority involved here, I believe, and I am certainly no legal authority. However, the basic reason why the major public stockyards were put under federal authority was that they were largely associated with interprovincial trades, particularly when—

• (10.30 a.m.)

Mr. NOWLAN: On a point of order. We are on the agricultural stabilization board, and with all due respect to my learned colleague and his knowledge of stockyards and the question he wants to develop, is this the time and place to develop it, or can it be covered in some other section, or perhaps we have covered it? I believe we have covered it.

The CHAIRMAN: Yes, Mr. Nowlan, I believe you are correct. It is all in the minutes. In fact, all these questions were asked of Mr. Bennett before about the operation of the stockyards, and so on. I think, Mr. Horner, if you will check the minutes you will find this same line of questioning was covered in the previous meeting.

Mr. NOWLAN: Well, we do not have all the minutes so this is one reason perhaps why we do not know what we have covered. However, I have a question which perhaps Mr. Horner can rule me out of order on.

Mr. HORNER (*Acadia*): I will too. However, I will come back to it and I do not care whether it has been covered once already or not; that does not bother me at all. If I want to ask it again I will.

The CHAIRMAN: You may have an opportunity to ask it again either today or tomorrow; on a different day, I would suggest.

Mr. HORNER (*Acadia*): Not necessarily on a different day; I will be around all day. It can always be brought up in the House, and I think perhaps I will be around when the estimates come up in the House.

The CHAIRMAN: This is what I mean. We will have an opportunity to come back to this because we did not pass Item No. 1 purposely so anything could be brought up again at that time. Mr. Rapp is next on the list.

Mr. RAPP: Mr. Chairman, I would just like to ask whether any complaints have been received by the stabbilization board about the method or the way the deficiency payments are paid and calculated by farm organizations or by individuals over the last couple of years? And, if so, were they mostly

suggesting that these deficiency payments should be calculated on a regional basis? Some farm organizations in my area have strongly suggested that this should be done on a regional basis. I just wanted to know whether the stabilization board has received any suggestion, not necessarily complaints, but any suggestion that the method of payment and calculating these deficiency payments should be done on a regional basis.

Mr. WILLIAMS: Yes, sir, we have.

The CHAIRMAN: Have you finished your line of questioning?

Mr. RAPP: Yes, I have. I received an answer to my question.

(*Translation*)

The CHAIRMAN: Mr. Matte.

Mr. MATTE: Are there several products for which the Government has to pay a subsidy under the Stabilization Act?

(*English*)

Mr. WILLIAMS: At the present moment?

Mr. MATTE: Yes.

Mr. WILLIAMS: At the present moment there are 11 commodities under support. I believe the question was: On which of these is the government presently paying a subsidy? The only one on which we are presently paying a subsidy is manufacturing milk and cream.

There are others, however, on which it is virtually certain there will be a subsidy paid for the current year. These include sugar beets and wool, the two which I think would be absolutely certain. When I say there is a very high possibility, I am simply saying that these are on a deficiency payment basis, and all price indications would point to the fact that there will be a payment.

On the eggs, for example, we are about half way through the support year, and it is not possible to tell at the present time. This is true of some other commodities as well. With respect to hogs, as I mentioned earlier, they are just under the mandatory level at the present time. But the possibility of a payment would appear extremely remote. Those are the commodities at the present time.

(*Translation*)

Mr. MATTE: Does that mean that next year, since you have to pay a price under the Stabilization Act, the price will be lower under the Stabilization Act next year?

(*English*)

Mr. WILLIAMS: No, not of necessity at all. It might be higher or it might be lower; it would be a matter of government decision as to the level of support. In so far as mandatory products are concerned, whether the support level will be higher or lower depends upon the fluctuation in the base price. We will drop off a year in our average ten years ago and we will add the last year's. If the last year's price was high, and the year we dropped off was low, it will raise the base price. If the converse is true, it will lower it.

I think you will appreciate, however, that the prices we are dropping off at the present time are the prices at the mid '50s and they are not, in general, higher now. This is a very broad statement I am making, but in general they are not as high as current prices. Three or four years ago, when we were dropping off the prices around 1952 and those years, we were dropping off high years and adding low years, and our base price was going down. But it depends entirely on the relationship between the year added and the year dropped off.

(*Translation*)

Mr. CLERMONT: A supplementary. Did the Government in 65 pay a support price for tobacco?

(*English*)

Mr. WILLIAMS: No, we have never paid a subsidy on tobacco. We have had a price support program on a deficiency payment, but the national weighted average in that year was higher than the support price and no actual payment was made.

Mr. NOWLAN: Mr. Chairman, I do not know if milk comes under this heading? If it does, I would like to ask a question.

Mr. WILLIAMS: It depends upon the question.

Mr. NOWLAN: Well, it is on milk. First, were there any integration conferences, or any conferences between the federal department and the provincial departments before the recently announced dairy policy?

Mr. WILLIAMS: This is a support price?

Mr. NOWLAN: And I am directing my mind to the fact that under the federal policy we take 3.5 per cent butter fat, and there are some provinces that measure on a 3.7 per cent basis. I just wondered if there was any preliminary negotiation or discussion to try to get a common base for support price? That was the first question.

Mr. WILLIAMS: Well, I can answer that portion of it. I think the direct answer in respect of that question would have to be, no. The 3.5 per cent was arrived at because, based on the previous year's results, 3.5 per cent was the average fat percentage of all milk marketed in Canada for the year.

Mr. NOWLAN: Well, is there some gitation from some provinces to try to get a common base, and was there any discussion at the federal level with the provinces to get a common base?

Mr. WILLIAMS: I have never heard of any in so far as the stabilization board's activities are concerned. I understand there has been some discussion at the dairy commissioner level as to the desirability of having a standard fat content for pricing purposes right across Canada, yes, but not in so far as the stabilization board is concerned.

Mr. NOWLAN: Even in the day of integration with everything else, you do not think from the stabilization point of view it will have any effect?

Mr. WILLIAMS: Not as far as we are concerned because we are paying our subsidies this year on the basis of fat. Let us take in the province of Nova Scotia

where, I believe, the standard fat is 3.7 per cent; anybody there delivering 3.7 per cent milk would not get 75 cents per hundredweight; he would get more because in the actual calculation done by our data processing people they do not multiply the milk by 75 cents, they multiply the fat by 21.43 cents. This bears a direct relation to the test. So, irrespective of whatever the provincial regulations are, the people are paid on the same basis as they are paid within the province.

Mr. NOWLAN: Thank you. The other question is this: You mentioned previously the three ways in which you support the basic price of milk at $3.25. Certainly in the east, in some areas, as matter of fact, there is not the support price at $3.25 so that the 75 cents direct payment does not come out to $4.00. has there been any thought to try to get the support price in say, well, Nova Scotia, up to the $3.25 so that the 75 cents will bring the $4.00 milk?

Mr. WILLIAMS: Very definitely. We have taken action in respect of this particular problem in Nova Scotia, and I believe the situation has improved somewhat since then. I would not go so far as to say that it has been completely corrected, but it certainly has improved. I believe it has improved again very recently because of strengthening in markets.

The action I am referring to was including roller powder under the export subsidy program at the same rate as spray powder. The difficulty is that the roller powder has not reached and maintained a normal differential between itself and spray powder. I have been informed in very recent days that the powder market appears to be strengthening not only right across Canada, but outside of Canada as well which we would hope would do much to alleviate that condition.

Mr. NOWLAN: So it was utilizing that third feature which you mentioned some time ago, namely export assistance, to help strengthen the situation.

Mr. WILLIAMS: That is correct. The difficulty, of course, here is that somebody has to find a market for it to move it into export, but the mere fact that it did have export assistance extended to it strengthened the price quite a bit; it strengthened the bargaining position of those people who wished to sell.

Mr. NOWLAN: Thank you.

Mr. NOBLE: I would like to ask Mr. Williams if the federal subsidization board can do anything to relieve the situation we have in Ontario now of these tractors running up and down the road. These farmers are complaining that this is a provincial responsibility and the provincial people tell them that it is a federal responsibility. Now, what is the situation there as far as we are concerned here in Ottawa?

Mr. WILLIAMS: Well, I am afraid I cannot answer that question. All I know of the situation is what I have read in the newspapers in respect of what their claims are, shall I say. They certainly are directing their claims at the provincial government. All I can say is that from the various points I have seen raised in the newspapers—once again I am speaking solely from newspaper reports and therefore I cannot speak with any degree of accuracy—as I understand it, they are asking for a provincial subsidy to cover the cost of transporting milk from the farm to the factory. The federal subsidy is based on f.o.b. factory price.

Mr. NOBLE: Would this suggested subsidy by the farmers conflict in any way with the subsidization being given from Ottawa?

Mr. WILLIAMS: I am not too sure what would be meant by "conflict". I think one would have to say this, to be absolutely fair about the matter, that if subsidies of any kind were at such a level as to bring out excessive supplies of milk, this could place an obligation on the federal government in respect of its payments. Let us say, for example, that there is a level for milk sufficient to bring on milk greatly in excess of what is needed in this country; if this is done under the current policy it could increase the federal government's obligation in terms of payments. But, other than that, I see no particular way that it would directly affect the federal subsidy.

Mr. NOBLE: Well, Mr. Chairman, I base my question on the fact that the minister of agriculture for Ontario said that he could not do anything further than had been done because he thought it would be in conflict with the subsidy coming from the federal government.

Mr. MOORE (*Wetaskiwin*): Is it not true that there might be confusion here between the price of fluid milk, under the control of the province, for distribution use and all other milk?

I do not know how it is in every province. In our province it is controlled by a board of commissioners. Is that not correct?

Mr. WILLIAMS: In the province of Ontario both fluid and manufacturing milk are under the same board of control; that is, the price of fluid milk is set exactly the same as the price of manufacturing milk. It is not at the same level, but the same mechanism applies.

Mr. MOORE (*Wetaskiwin*): In Alberta this is not so. The fluid milk is controlled by a board in Edmonton, but the other comes under stabilization from the federal government. Is that correct?

Mr. WILLIAMS: Yes.

Mr. MOORE (*Wetaskiwin*): That is something I was not too clear on. Now, I suppose every province could be different in this respect. Is that correct? I mean either one or the other?

Mr. WILLIAMS: It would depend upon provincial legislation as to their ability to fix prices or not fix prices.

The CHAIRMAN: I might make a comment here. From my knowledge, I think this is one of the things that the minister of agriculture in Ontario is objecting to. The manufacturers of dairy products claim they can get cheaper milk in the province of Quebec than they can in Ontario. They have raised the price to the farmers of shipping the milk to the manufacturing plants, and this is one of the strong objections the farmers have. They claim that they have to compete with cheaper products coming in from other provinces into Ontario.

Mr. MOORE (*Wetaskiwin*): Mr. Chairman, under the announcement of the dairy policy—I am not too sure how it read—I think farmers were given to believe that they would receive $4.00 per hundredweight for all manufacturing milk whether it came in the form of cream or not. I think this is causing a lot of the trouble because actually there is no guarantee of $4.00 milk. There is a

guarantee of so much per hundred subsidy, and whether the farmer or the producer receives $4.00 a hundred or more for his manufacturing milk or cream, what-have-you, depends on the basic amount he receives, and if it is not large enough he naturally is not going to get $4.00. This is causing a lot of trouble throughout the country and a lot of complaints because the advertising or window dressing, or whatever you want to call it, says $4.00 milk. There is no guarantee that he is going to get this; they are just trying to bring it up to this. It is the same idea as the 85 cents and 10 cents off; they should have made it a $1.75, which would sound better, and take a $1.00 off. I think this is what is causing many of the complaints among the producers.

The CHAIRMAN: I think the dairy producers, especially those producing milk for manufacturing dairy products, would be much better off if we had a real national dairy policy. This is a product which travels between provinces and different legislation within provincial jurisdiction has an effect on the price which the producer of this product receives. I see Mr. Grills here who knows more about the dairy industry than I will ever know. I remember seeing a letter from the minister of agriculture for Ontario suggesting a minimum price of $3.25 delivered. Many of the dairy people have taken this to mean that they do not have to pay any more, and that means less trucking or shipping charges.

Mr. MOORE (*Wetaskiwin*): Well, he might suggest this in Ontario, but it does not affect the other provinces.

The CHAIRMAN: No. I am just talking about the question Mr. Noble brought up.

Mr. WILLIAMS: I am quite sure that the points which have been raised are very valid ones and the board certainly recognizes them. We have run advertisements in all the agricultural publications and in almost all of the weekly newspapers where we have tried our best to point out that it was the responsibility of the producer or his organizations to bargain for this $3.25, but this did not represent a guarantee to each and every producer for $4.00 milk. I think the gentlemen here would realize the complete impracticability of the agricultural stabilization board administering a program that guarantees to every farmer $4.00 milk irrespective of what he gets for his milk. This would leave no incentive whatsoever on anyone to bargain for their milk at the market place; they could sell their milk for five cents a hundred with the guarantee that the stabilization board, on behalf of the government, would pick up $3.95.

Mr. MOORE (*Westaskiwin*): I agree; I was not suggesting that.

Mr. WILLIAMS: It is a very distinct problem, and you are perfectly correct about the letters and complaints we receive; they are based almost entirely on misunderstanding of the policy.

Mr. MOORE (*Wetaskiwin*): My only point was the misunderstanding, not who should pay it. I realize we cannot subsidize it.

The CHAIRMAN: Thank you, Mr. Moore.

Mr. GRILLS: Mr. Williams, will you venture a figure of what you consider the average cream producer will receive? I know it is difficult to value the skim milk on the farm at a definite figure, but what is your own thought on this?

Mr. WILLIAMS: Well, the average cream producer should receive in my opinion, somewhere between 80 cents and 82 cents per pound for his butter fat. I am not prepared to put a value on the skim milk which he keeps at home; this depends almost entirely, if not entirely, on his ability to use it. It depends on the price of hogs, the price of chickens, and the price of everything else.

Mr. PETERS: Mr. Chairman, may I ask a supplementary question? Is it not your board which has decided that the farm separated milk will produce skim milk worth $1.05?

Mr. WILLIAMS: No! Our board has never reached any decision on this matter. The only board decision has been that the subsidy paid to cream producers—and this was not a broad decision; this was a board recommendation, and a government decision—should be the same as that paid to manufacturing milk shippers, namely 85 cents per hundred less 10 cents.

Mr. MOORE (*Wetaskiwin*): Mr. Chairman, I might mention that in our area producers can obtain butter milk at 20 cents a hundred which does the same feeding job as the skim milk. I have no point in particular, but I am just showing the variation in the value of skim milk between one area and another, and depending on the market, if any.

Mr. WILLIAMS: I am informed commercially at the present time, or within recent times at least—not possibly right at the present moment because of the very heavy flow of milk at the present moment—that skim milk has changed hands in excess of $1.00 a hundred.

Mr. MOORE (*Wetaskiwin*): Depending on the area, of course.

Mr. WILLIAMS: That is right. Now, this is for the sale of skim milk.

Mr. MOORE (*Wetaskiwin*): This would be for skim milk powder?

Mr. WILLIAMS: Oh, yes, there is no argument about that. I am talking about commercial sales for skim milk. It would possibly be plants that took in whole milk, separated it, made butter and were unable to handle all the skim milk.

Mr. HONEY: Mr. Chairman, I would like to move away from dairy products for a moment. I might ask for a bit of information about the board's method in determining the support price for some commodities. Now, I have in mind, for example, wool which I believe is a designated product. Is this correct, Mr. Chairman?

Mr. WILLIAMS: Wool is one of those in between ones. We treat it as a mandatory product, as a matter of fact, simply because the act specifies sheep. We support lamb and wool together as mandatory products in order to provide support for sheep.

Mr. HONEY: What is the basis on which you support wool and sheep?

Mr. WILLIAMS: Well, lambs are supported by a deficiency payment program at 80 per cent of the base price which is at the present time $18.19 a hundred weight, and that is a national average. Excuse me, I was reading the wrong column. It should be $18.80 a hundredweight instead of $18.19, and that is 92.2 per cent of the base price.

Wool is also supported by a deficiency payment program at 138.8 per cent of the base price which amounts to 60 cents a pound. The support for wool is based upon the average wholesale price at which wool is sold for certain representative grades, and the grades are named in the support order.

Mr. HONEY: What has been the history in the last few years about deficiency payments on both? Have we been making payments on wool, for example?

Mr. WILLIAMS: We have made payments on wool every year. Last year I believe it was 16. something cents. I could give you the figure in a moment, but it was about that, and it has ranged up over the past years between, I would think, 12 and 20 cents a pound.

Mr. HONEY: That is the average, 12 cents to 20 cents?

Mr. WILLIAMS: That is the range, yes. It is quite possible that there are years where it is not necessary to support lambs, for example, but wool is supported. Payments have not been made on lambs since they were moved to a deficiency payment basis.

Mr. HONEY: You have always made a payment on wool?

Mr. WILLIAMS: Yes, we have always made a payment on wool.

Mr. HONEY: There is a relationship in determining the support prices—

Mr. WILLIAMS: In practice there has been no relationship in the matter of the deficiency payments. I am just not sure that I follow you, Mr. Honey.

Mr. HONEY: In other words, I am only assuming that you establish your support prices on some formula which each year bears the same ratio for lamb and wool; you apply the same formula?

Mr. WILLIAMS: Not exactly, if I understand you correctly. The procedure followed by the board in respect of this is an endeavour to support lamb and wool at a reasonably constant level. The lamb support has to be modified possibly from time to time, but the wool support is our major method of supporting the sheep industry.

Mr. HONEY: Well, I think that is the information I wanted.

Mr. WILLIAMS: Mr. Phillips just reminded me that in weighting it for the value of lamb and the value of wool we consider that the combination of the two comes to slightly over a 100 per cent of the base price of the two. Now, I think you will appreciate that this is not a hard and fast figure because, depending upon the type of operation the man may be running, a greater or lesser percentage of his total revenue may be coming from wool than someone else in a different situation.

Mr. HONEY: Well, this is my point, that you do take both products into consideration.

Mr. WILLIAMS: Definitely, but not by a fixed formula, I am afraid.

Mr. HONEY: But there is a ratio which you use.

• (11.00 a.m.)

Mr. WILLIAMS: Yes.

Mr. HONEY: Thank you, Mr. Chairman.

The CHAIRMAN: I do not know what the Committee thinks of this. We have the room as long as we want to have a meeting; there is no other committee using this room this morning. Some of the members have made it known to me that they have other commitments shortly before 12 o'clock. We could take a five minute break—there is coffee available to the members—and then we could start off with Mr. Horner, Mr. Olson and Mr. Grills, who have intimated that they want to start their line of questioning.

Mr. OLSON: I have one question I would like to ask which is supplementary to what was asked.

The CHAIRMAN: A supplementary question?

Mr. OLSON: Yes. With respect to this matter of milk, is the federal government, under this new dairy support plan, going to pay a subsidy at all if the price paid by the processors is less than $3.25 per hundred for 3.5 per cent milk?

Mr. WILLIAMS: Very definitely. Yesterday morning some 52,000 cheques totalling $3.6 million were put in the mail, and this is just the first of the cheques.

Mr. OLSON: This went out to producers who had sold at less than $3.25.

Mr. WILLIAMS: No, irrespective of the price they sold at.

Mr. NOWLAN: The cheques went out on the basis of 3.5 per cent?

Mr. WILLIAMS: The question asked was whether the milk was sold at $3.25 a hundred paid by the producers. It did not matter what the test was.

Mr. NOWLAN: But the cheques went out on the basis of $3.25?

Mr. WILLIAMS: They went out on the basis of 75 cents a hundredweight for 3.5 milk, or on the basis of 21.43 cents per pound of fat, irrespective of the price that the producer received for the milk.

Mr. NOWLAN: That was not Mr. Olson's question.

Mr. WILLIAMS: Oh, I am sorry.

The CHAIRMAN: Yes, it was. That was your question, was it not, Mr. Olson?

Mr. WILLIAMS: That was for April deliveries; not all April deliveries by any means. There are more cheques going out immediately. There was some May milk included in that for plants where the information had come in in time. For your information, the cheques ranged up to $400 per producer.

The CHAIRMAN: We will adjourn for five minutes.

The committee resumed at 11.17 a.m....

The CHAIRMAN: We will call the meeting back to order. I believe Mr. Horner has the floor now.

Mr. HORNER (*Acadia*): Thank you, Mr. Chairman.

My first question is about the food inspection department. I asked a question about a month ago in this committee with regard to inspection of food. I heard a rumour a couple of years ago that beef blood was being mixed with mutton and sold as hamburger. I think somebody said they were going to look into that to see whether or not this could be done. Has anybody looked into it?

The CHAIRMAN: Mr.Williams advises me that Dr. Wells has been informed of this. On Tuesday morning the health of animals comes before the committee, and he will be prepared to answer these questions at that time.

Mr. HORNER (*Acadia*): Fine. I will let that go for now then and I will be here Tuesday morning.

I have some questions with regard to the sheep industry. You said that the wool price was 138 per cent of the ten year average.

Mr. WILLIAMS: The support level, yes.

Mr. HORNER (*Acadia*): I would gather from this that it is the government's wish to encourage more production and more people into the sheep industry. Am I right?

Mr. WILLIAMS: I think the position of the board in respect of this is that this is a commodity where there is absolutely no possibility, in what might even be loosely called the foreseeable future, of any over production whatsoever. Therefore, there is excellent reason why it should be stimulated as an industry.

Mr. HORNER (*Acadia*): You say there is no fear of over production.

Mr. WILLIAMS: I am speaking of wool.

Mr. HORNER (*Acadia*): Wool, yes. Now, we see more and more synthetics coming into the market; there are more and more clothes being made from synthetics. You have had to pay a deficiency payment on wool ever since the inception of the stabilization board. Has the price of wool on the market gone up or down in the last number of years?

Mr. WILLIAMS: In very recent years the tendency is upwards. It was extremely high in the early and mid '50s. It fell off somewhat and has shown signs of recovery but there have been no really marked trends in very recent years. When I speak of recent years, I am talking about five years or so. But what trends they have had are slightly upwards.

Mr. HORNER (*Acadia*): There is a good demand yet for wool?

Mr. WILLIAMS: Oh, yes. Wool is considered to be in quite a strong position on the world market at the present time. We, incidentally, in Canada only produce somewhere in the nature of 10 per cent of our total requirements of wool.

Mr. HORNER (*Acadia*): Has the sheep industry gone up or down in numbers in the last year in Canada.

Mr. WILLIAMS: Down!

Mr. HORNER (*Acadia*): Then perhaps one could assume that since we have a demand for wool, and we only produce 10 per cent of our requirements; the

industry is still going down, perhaps the subsidy should be increased? I see you are nodding your head. You must be agreeing with me.

Mr. WILLIAMS: If that was a question, I would say the position which Mr. Horner has taken is supported by the sheep industry.

Mr. HORNER (*Acadia*): Let us take a look at the lamb market. You said that the price is 92 per cent of the average.

Mr. WILLIAMS: The support level, yes.

Mr. HORNER (*Acadia*): In Mr. Honey's earlier questions he wanted to arrive at how or why the stabilization board set their support price where they did. Now, I suggested to you, and you did not really disagree with me, that in setting a support price at 138 per cent of the ten year average, the government policy must be to encourage the production of wool. This is why they set it that high. There is no other formula that you can arrive at really, is there, in setting these support prices? It must be a policy determined on whether you want more of the product or less of the product. In setting a 92 per cent average for lambs, here again you must feel reasonably certain that there is a good demand for lambs and you are prepared to support the industry to that extent.

Mr. WILLIAMS: That is correct. I should say in elaboration that in addition to the support under the Agricultural Stabilization Act for lambs, the government also has a quality premium program, and every grade "A" lamb marketed that falls within certain specific weights—I believe it is 30 pounds to 52 pounds full dressed weight, but I am not absolutely certain of those figures—receives a federal subsidy of $2.00, and every "B" lamb receives a subsidy of $1.00. This, of course, is taken into consideration by the board when it arrives at its support levels as well.

Mr. HORNER (*Acadia*): What percentage of the lambs grade "A"? I just want a rough idea.

Mr. WILLIAMS: I believe that about two-thirds of the lambs were eligible for one subsidy or the other. I could check these figures, but I think it is 46 per cent grade "A". The percentages have increased very significantly since this subsidy was introduced, mainly because people marketed their lambs at better weights.

Mr. HORNER (*Acadia*): At better weights. This is the key to grade "A".

Mr. WILLIAMS: That is a very important factor in this.

Mr. MOORE (*Wetaskiwin*): Mr. Chairman, I have a supplementary on the same subject. Is it not a fact that one of the biggest factors why sheep production has never increased too much in Canada is because the lamb values are very high?

Mr. WILLIAMS: I am sure this is a factor. I think any time you get a group of sheepmen together you can get as many suggestions why sheep are not popular in Canada as there are people in the group.

Mr. HERRIDGE: Mr. Chairman, a supplementary question. Dr. Horner was questioning with respect to marketing, and I understand Mr. Williams to say that we only produce about 10 per cent of the wool required in Canada.

Mr. WILLIAMS: That is the approximate figure, yes.

Mr. HERRIDGE: Well, I was brought up in the time when they used to say it took a sheep to kill the woman; then I went through a period when it took one silk worm, and now I understand it only takes a pound of pulpwood or something.

Who purchases this wool and for what purpose is it used in Canada? Have you any idea of the industries who purchase it, and what they use it for?

Mr. WILLIAMS: The major use for Canadian wool within the country itself at the present time is for paper felts. This is in the newsprint trade. They make the felts—they are called the paper felts—used for making papers at the paper mill. Most of our domestic wool that grades quarter and three-eighths blood is used for this purpose. The finer wools are in general exported from Canada, and we import the woollen we need for what is known as the worsted trade which is the type of wool used to make gentlemen's suitings and things of that nature.

The reason that this is exported is because we do not have sufficient volume in this country to set up a spinning trade which will process this finer wool into what is called "cops" which are suitable for making the yarns that the cloth is woven from.

Mr. HERRIDGE: It is very interesting indeed.

Mr. RICARD: With respect to the quality of the wool, how does Canadian wool compare with Australian as far as length of fibre and its quality are concerned?

Mr. WILLIAMS: Grade for grade, Canadian wool compares quite well with most wools with one major difference. In general, Canadian wool has more chaff in it associated with our indoor feeding practices in this country.

Australia, however, has specialized in an extremely fine wool of a type which we do not grow in Canada at all. So it is almost impossible to compare quality for quality. In general, however, I think it is only fair to say that the Australian wool clip probably sells for a higher price on the average than the Canadian wool clip does. They breed sheep in Australia solely for the production of wool in certain areas. They only raise enough lambs for flock replacement in their fine wool flocks. In the merino flocks of Australia selection has been aimed almost entirely at wool; whereas here, of course, we have selected for lamb and wool.

In general, in Canada a sheepman receives about 80 per cent of his revenue from the sale of lambs and about 20 per cent of his revenue from the sale of wool.

• (11.30 a.m.)

I believe it was Mr. Horner who asked about the percentage of grade "A" lambs. Canada choice for the 1965-66 fiscal year was 48.1 per cent and Canada good was 21.6 per cent.

Mr. HORNER (*Acadia*): I have a couple of further questions, Mr. Chairman. There is an old question with respect to lambs, and I am sure you are well aware of it, Mr. Williams, but perhaps for the record it should be explained

once again. Why can Canadian lambs not be sold as Canadian fresh lambs, and why are New Zealand and Australian lambs coming into Canada not labelled as New Zealand lambs?

Mr. WILLIAMS: Every New Zealand lamb coming into Canada at the present time is labelled by New Zealand as New Zealand lambs; it has an ink brand stamped on it. This is a New Zealand regulation, the country of origin. We get very few lambs from Australia. The main import in this category from Australia is mutton for processing.

Mr. HORNER (*Acadia*): Yes, for the sausages I was talking about.

Mr. WILLIAMS: As a matter of fact, a great deal of the mutton which comes into Canada is used for soup purposes.

Mr. HORNER (*Acadia*): Just one further question. I have seen the government, past and present, supporting the sheep industry to quite a large extent, and yet you say the industry itself is going down. How sharply has it reduced itself in the last five years?

Mr. WILLIAMS: I am afraid I cannot quote the figures offhand. I would think in the last five years our population of sheep, as of June 1, is down at least a quarter.

Mr. HORNER (*Acadia*): Now, I do not like to see the government involved in anything which has proven to be uneconomical. Yet here I see a good ewe worth $15, let us say; she raises 10 pounds of wool, and the government gives a subsidy of $2.00 on that wool. She has twins, let us say, and they are both grade "A", and a fellow gets $2.00 apiece for them from the government. So he receives a total of $6.00 from the government on a $15.00 ewe.

Now, this is a pretty heavy support for an industry, and yet the industry seems to be going down. I wonder whether a whole new approach to the sheep industry in Canada should not be looked at, and the subsidies either increased to where the industry will be a sustained one, if it is necessary in Canada, or perhaps we should throw in the towel and say it is an uneconomical business to support a $15.00 investment by a $6.00 return directly from the federal government. You have no comments?

Mr. RICARD: Do any provincial governments have a support program for the sheep industry?

Mr. WILLIAMS: I think almost all of the eastern provinces have a shared program with the federal government whereby they subsidize the movement of breeding ewes from western Canada to eastern Canada. In addition to that, the province of Quebec has various other programs associated with lamb bonus, and in certain cases, I believe, some type of ewe bonus program. I think almost all of the provinces have some type of a lamb bonus program.

(*Translation*)

Mr. COMTOIS: What is the percentage of the Canadian consumption of wool produced by the Canadian breeders?

(*English*)

Mr. WILLIAMS: About 10 per cent.

Mr. GRILLS: To what do you attribute the production of sheep population going down?

Mr. WILLIAMS: Personally?

Mr. GRILLS: Yes.

Mr. WILLIAMS: I think the social status of the sheep. I may sound a little facetious in saying this, but I think the cowboy movies have done as much as anything to reduce the status of sheep. Most people just do not want to keep sheep.

To be a little more serious about it, I think another very important reason is—and it was one which was mentioned here obliquely earlier—that too many people have considered sheep to be a scavenger operation, a salvage operation, very much of a sideline, and in general it has not contributed too significantly to their standard of living. If a dog worries one sheep the fellow says, "I am not going to be bothered with them anymore," and he ships the whole thing off to market, if he only has 18 or 20. So what I am really saying is that flock sizes in general have been too small.

I am sure you gentlemen will be interested in knowing that officials of the Sheep Breeders Association met with departmental officials and the minister not too long ago, and, without exception, the larger operators said they felt that this was a profitable enterprise. You may have noticed in the newspaper the other day a quotation by a prominent dairy farmer in Ontario who said that his sheep on his farm returned him more for the investment than did his dairy cattle, and he is an extremely prominent dairyman.

I think it is associated with flock size and the manner in which sheep in general have been kept. In the countries of the world where sheep are successful, they are kept in general on the good land, not on the poor land. The breeding stock may be raised on the poor lands, but the fat lambs are raised on top quality land.

(*Translation*)

• (11.48 a.m.)

Mr. MATTE: How many would it take to a farmer who is just engaged in lamb raising?

(*English*)

Mr. WILLIAMS: This is a difficult question to answer. I believe most of the studies have indicated that as an absolute minimum 200 ewes should be kept to produce a reasonable standard of living. The arithmetic is not too difficult, but this is about the size.

Mr. HERRIDGE: Mr. Chairman, from my experience I know of a number of people who started out with quite good size flocks of sheep—I am talking about mountain areas—but they have gone out of it because they simply could not fight the coyote menace. Have you heard of that?

Mr. WILLIAMS: Oh, very definitely. This is one of the many reasons which are advanced, namely cost of fencing, predators, dogs, unavailability of skilled labour, there are many reasons. But, I really think the basic reason, particularly

in eastern Canada—this is not true to the same extent in western Canada, Mr. Herridge—has been the size of flock?

I believe under our subsidy program for wool, based on an average yield of eight pounds of wool, that the average flock size for Canada is something in the nature of 15 or 16 ewes.

The CHAIRMAN: Mr. Moore, did you have a supplementary?

Mr. MOORE (*Wetaskiwin*): Is it not true that it is customary to use far out-land so to speak, for sheep raising, and, of course, this is where your predators come into it; coyotes in the west, wolves, and so on. This makes it pretty discouraging. The fact is, of course, that it is pretty hard to find a man these days who will take on that type of a job to protect them.

Mr. WILLIAMS: I think of all the agricultural industries, the most anomalous one is the sheep one. It is difficult to find adequate reasons why the population is decreasing. Almost any argument can be advanced, and almost any argument can be refuted.

Mr. DANFORTH: I have a supplementary, Mr. Chairman. I wonder if Mr. Williams can tell us—and I base my question on the fact that we have a centennial celebration coming up, and there is a tremendous amount of publicity now on Canadiana products; there is a drastic movement on foot to produce souvenirs and novelties made in Canada instead of importing them to the extent they have been—if there has been any approach by the industry itself, speaking of sheep, to employ under the ARDA program or any other program, government finance or government aid to establish in Canada a manufacturing project which would utilize our fine Canadian wools for the production of Canadian garments in order that we might utilize and expand the industry in Canada rather than export our finer wools? Has there been any suggestion, any activity on the part of the industry itself, to encourage this very important project?

Mr. WILLIAMS: I know of none.

Mr. DANFORTH: There has been no stimulation, no suggestion or no effort which you have come in contact with?

Mr. OLSON: I just have two questions, Mr. Chairman. I would like to ask Mr. Williams if hogs have ever been supported above the 80 per cent mandatory level?

Mr. WILLIAMS: Yes. This is the first year they have been at the 80 per cent level since the Agricultural Stabilization Act came into effect.

Mr. OLSON: In other years then there was a level somewhat higher than 80 per cent.

Mr. WILLIAMS: Yes, I could read you the levels.

Mr. OLSON: Not all of them, but some.

Mr. WILLIAMS: I am sorry, I will take that back. There was part of the year of 1959, when we changed from a purchase program to a deport program, that they were just supported at the 80 per cent level. In general, the level runs between 85 per cent and 90 per cent.

Mr. OLSON: Thank you. I have one other question. I do not expect an answer now, but I would like to have the information when it is available. I would like to have the method of calculation with respect to establishing the subsidy paid for sugar beets; that is, the old formula which has been used in the past, and the new one whenever it is available.

Mr. WILLIAMS: Fine, sir.

The CHAIRMAN: Mr. Grills, you had some questions?

Mr. GRILLS: Well, I was thinking about the dairy prices here. I am not suggesting, nor do I ever want to be quoted as suggesting that up to the present time a dairy farmer has ever received any more than he was deserving of because it is probably the hardest farm operation with the most hours of work involved.

They are talking about $5.00 milk in Ontario, and I wonder just where the maximum will come before we will have so many dairy substitutes created that we might kill the goose that laid the golden egg. When you talk about $5.00 for manufactured milk, you are going to have pretty expensive products from that, are you not?

Mr. WILLIAMS: Of course, the answer to that, Mr. Grills, would be as to how the $5.00 was arrived at. If the $5.00 was arrived at by subsidies rather than from the market place, it should not affect the consumption. If it is arrived at from the market place, I do not believe that I could give an estimate of how high it could go.

The only basic information we have on this is in respect of butter. We know that when butter was 64 cents back in 1959, 1960, 1961 and 1962, in that era, it was felt by the consumer that this was too much, and consumption dropped from around 19 pounds per capita down to just over 15 pounds per capita.

We also know that when the price was dropped back to the equivalent of 52 cents wholesale—and the 64 cents, of course, was a wholesale figure as well—that this resistance was essentially eliminated. We also know that since then the price has been advanced to a wholesale price at the present time of 69 cents, and consumption is still holding up. For the month of May, the latest figures that we have, I believe consumption was up five per cent over the same month of a year ago.

I think when one looks at those figures, one has to also bear in mind the fact that a price of 52 cents in 1962, I believe, would be the equivalent in purchasing power of 57 cents at the present time—in terms of cost in dollars, let us put it that way. So that while it looks as though the price of butter has gone up, it has actually stayed about constant in terms once again of cost in dollars.

Mr. RICARD: In the meantime, has the consumption of margarine gone down, or is it at the same level?

Mr. WILLIAMS: As a matter of fact, there has been very little change. There was some slight drop off, but the decrease in the consumption of margarine has not been proportionate to the growth in the consumption of butter; in other words, it represented true growth; it was not a switch in particular.

Mr. MOORE (*Wetaskiwin*): A supplementary question, Mr. Chairman. Did the cholesterol scare at one time affect the consumption of dairy products?

Mr. WILLIAMS: Well, I think it is very hard to segregate for causes; there are many causes. Certainly the major portions of the outcry, or whatever it might be called, against cholesterol took place at the same time as this happened.

Mr. MOORE (*Wetaskiwin*): Well, perhaps this is poor advertising by the dairy industry. They should have refuted it because it can be in many cases.

The CHAIRMAN: Mr. Ricard, you had asked for the floor; and you have a couple of supplementaries. It is your turn now to ask questions.

Mr. RICARD: I would like to know if there has been an exchange of opinion and points of view with the province of Quebec with regard to the establishment of the national dairy policy?

Mr. WILLIAMS: Very definitely.

Mr. RICARD: Can you make a resume of those exchanges of thoughts and opinions?

Mr. WILLIAMS: I would say in the consultation at the official level—and I am speaking at the official level at the present time; I am not speaking about the words in the legislation presently before the House, but in the philosophy behind it—I would say it was supported unanimously across Canada by provincial representatives.

If I go back a little bit; in 1963 there was a major dairy conference held in Ottawa. Subsequent to that, a committee was formed with representatives of the Federation of Agriculture represented by the dairy farmers of Canada; the industry represented by the National Dairy Council, and the provinces. There were five of each of these, with the provincial representatives being one from the maritimes, one from Ontario, one from Quebec, one from Manitoba and Saskatchewan, and one from Alberta and British Columbia, and I believe one federal representative.

This committee met on many occasions, and as a result of all these meetings they recommended quite strongly the formation of some national authority.

Mr. RICARD: Thank you.

(*Translation*)

The CHAIRMAN: Mr. Comtois.

Mr. COMTOIS: Mr. Williams, to come back to eggs, the maximum quantity is set at 10,000 dozens for each producer per year, could you tell me what was the quantity for the three last years?

(*English*)

Mr. WILLIAMS: For the last three years it has been 4,000 dozen. This year is the first year that it was increased to 10,000 dozen.

Mr. COMTOIS: This is the first year at 10,000.

Mr. WILLIAMS: That is correct.

Mr. COMTOIS: Could you tell me in what year the last support program for tobacco was?

Mr. WILLIAMS: In the year 1963.

Mr. COMTOIS: What was the support price?

Mr. WILLIAMS: The support price was 47 cents for all grades but rejects. Several grades were excluded, but they were minor grades. I believe they were special factor grades and reject grades, but certain grades were excluded.

(*Translation*)

• (11.49 a.m.)

What are the main pressure groups which have caused you to obtain better prices or some better support programs?

(*English*)

Mr. COMTOIS: What are the main pressure groups which have caused you to obtain better prices or some better support programs?

Mr. WILLIAMS: In general, representations in respect of support programs are received by the board from the particular commodity groups associated with them. The exception to that, I think, is the dairy support program where most of the national groups also make representation to the board. Let us take, for example, sugar beets; it is the sugar beet associations both the federation and the provincial ones—there are four provincial organizations and then there is a national organization. In general it is the particular commodity group. In certain cases they may be supported, in making their representations, by representatives from the head office or the executive of one or more of the national agricultural organizations. But, in general, it is the specific group itself.

Mr. COMTOIS: Do you sometimes, sir, take the initiative on those programs?

Mr. WILLIAMS: Oh, very definitely. We review all these programs—

Mr. COMTOIS: Without any representation from anybody?

Mr. WILLIAMS: Oh, very definitely. We are required by the act to make recommendations annually in respect of the nine mandatory commodities, whether we receive representations or not, and these are reviewed at all times. In addition to this, each product which we feel there is a particular problem about, the board reviews it and makes recommendations if it sees fit.

I may say, however, that almost invariably the industry knows of its troubles as well as the board does, and in general the industry is making representation to the board at the same time as the board may be considering it; to be frank, very often before the board considers it.

Mr. COMTOIS: Thank you.

Mr. HERRIDGE: Has British Columbia made any representations to date?

Mr. WILLIAMS: No, sir. They may be creeping up on us!

The CHAIRMAN: Mr. Ricard will be the last to ask questions because some members have intimated they have to be at a meeting at 12 o'clock.

Mr. RICARD: Is it the purpose of the law that the prices under stabilization be reviewed automatically every year?

Mr. WILLIAMS: That is correct, they are.

Mr. CHAIRMAN: Thank you. Now, this is the very last question, Mr. Matte.

(*Translation*)

Mr. MATTE: There are several milk producers who have not received their subsidies, they have not received last year's subsidies yet. No later than last week I received representations to that effect.

(*English*)

Mr. WILLIAMS: We are still receiving claims, and are still making payments, so I must presume there are some who have not received it. We are still honouring claims as they are received, and we are still making payments. I may say that the number of claims is diminishing very rapidly at the present time.

(*Translation*)

Mr. MATTE: This man in question was advised he would receive his payment in some days and he has not received his payment for a month or a month and a half, he has come to me to ask me why he did not get his money.

(*English*)

Mr. WILLIAMS: Is this for the supplementary payment last year?

Mr. MATTE: Yes.

Mr. WILLIAMS: If we can have the names I can get you the answer in very short order in respect of anybody who has made an application. There was a little hold-up for a while. This was associated with the fact that there was a change in fiscal years for the government. The supplementary payment was made under a vote of Parliament. This vote lapsed at the end of the fiscal year and it was necessary to obtain supplementary funds and supplementary authority. So some cheques were held up for a while, but these are going out again now.

Mr. MATTE: Fine.

The CHAIRMAN: Thank you, Mr. Matte.

Mr. DANFORTH: Is it my understanding that when we reconvene we will go immediately to the P.F.A.A.?

The CHAIRMAN: Yes.

Mr. DANFORTH: May I also indicate, Mr. Chairman, that when we get back on the stabilization board it is my intent to delve with some detail into the egg pricing structure and what has happened on the market. If Mr. Williams or anyone wishes to bring in an expert or someone familiar with this phase, I would like to indicate that this is my intent at the next meeting.

The CHAIRMAN: Fine. I know it is getting to be an inconvenience to some who are probably travelling to their riding because tomorrow is a holiday for

the House, but I would ask as many as possible to be here at 3.30 this afternoon for the P.F.A.A. Mr. Riddell is here and he has been patiently waiting now for two or three days, and we would expect as good an attendance as possible.

AFTERNOON SITTING

(Recorded by Electronic Apparatus)

THURSDAY, June 23, 1966.

● (3.30 p.m.)

The CHAIRMAN: I think we will start the meeting, which was called this afternoon to discuss the Prairie Farm Assistance Administration. Mr. Riddell, the director of P.F.A.A. is here, Mr. Bird, Mr. Williams, of course, and Mr. Parker, the director general, departmental administration.

I think we are now open for questions.

Mr. HORNER (*Acadia*): Perhaps Mr. Riddell is going to make a statement.

The CHAIRMAN: We just have the summary which you were given before.

Mr. HORNER (*Acadia*): I will start off with a question. Mr. Riddell, in making payments to a farmer farming in one or more townships, suppose he has more than the eligible acreage, how do you arrive at his payments? What I mean is; let us suppose you have three categories in one township. If his land in one township falls under the category of zero to three bushels and the payment is $4 an acre, and the other falls in the 3 to 5 and the payment is $3 an acre and the last one falls within the category of 5 to 8 and the payment is $2 an acre. Supposing he has 400 acres, the maximum payable in the zero to 3 bushels township, does he get paid on that 400 acres or does he get paid on an average?

Mr. H. S. RIDDELL (*Director, Prairie Farm Assistance Administration*): Mr. Horner, he would get paid on that 400 acres and would be paid $800.

Mr. HORNER (*Acadia*): In other words, you pay him the maximum amount possible?

Mr. RIDDELL: That is right.

Mr. HORNER (*Acadia*): And this is being done?

Mr. RIDDELL: I would say so, yes unless an error has occurred. We are only human.

Mr. HORNER (*Acadia*): This is what I understood it to be, but I questioned it really because of some of the things I have seen in recent years. But I will accept your word.

Mr. RIDDELL: If you know of any cases.

Mr. HORNER (*Acadia*): I have no specific case in mind.

Mr. RIDDELL: If you know of any cases and if you will refer them to me, I will certainly give them my attention, because this is the way we make payments.

Mr. HORNER (*Acadia*): There has been quite a bit of discussion, particularly in the Peace River area and in the Paddle River area with regard to flooding. I know you have gone into this, Mr. Riddell, but I am not particularly satisfied with the way in which the P.F.A.A. board has arrived at the eligibility of acreage that has been flooded out.

• (4.00 p.m.)

In taking into consideration acreage payments, generally, you will pay on what is called cultivated acreage whether it be seeded to tame hay or crops. Am I right?

Mr. RIDDELL: That is right. In making payments, we make them on cultivated acreage rather than on whether it is seeded to crops or whether it is seeded to tame hay or summer fallow.

Mr. HORNER (*Acadia*): Now the second question I would like to ask under this heading: Is the same thing paid in flooding sections?

Mr. RIDDELL: No, as far as the flooding section is concerned, the act very definitely sets out that if an area of cultivated land could not be seeded or summer fallowed in the year of award, owing to natural causes beyond—

Mr. HORNER (*Acadia*): Seeded or summer fallowed?

Mr. RIDDELL: Yes, this is our interpretation of the act.

Mr. HORNER (*Acadia*): This is in flooded areas?

Mr. RIDDELL: Yes.

Mr. HORNER (*Acadia*): Do you not think, in accepting or in interpreting the act in that manner, you are drawing two categories of cultivated land? Say, in one area where flooding is not a major problem, if a farmer grows tame hay and that hay may be in for five or six years, it may not be seeded the very year he collects payment on it, but if it is in an eligible area, he gets paid for it. Now, what you are saying is that if the cause of crop damage is flooding then he does not get paid. You are really making two categories of cultivated land, under the same act, are you not?

Mr. RIDDELL: No. Our interpretation of it, Mr. Horner, is this. The act says: If an area of cultivated land could not be seeded or summer fallowed. Now when you say cultivated land, that means vast land which is included in the definition of cultivated land, but which could not be seeded or summer fallowed, in the year of award, owing to natural causes. This is the way we interpret it. This is the way it has always been interpreted.

Mr. HORNER (*Acadia*): Now you have me mixed up. An area that has been flooded, but is seeded to grass—and I am just clarifying my own position—the previous year or years, does it, or does it not receive payment if it is in an eligible area?

Mr. RIDDELL: Not if it is flooded, no.

Mr. HORNER (*Acadia*): Not if it is flooded?

Mr. RIDDELL: No.

Mr. HORNER (*Acadia*): But if it is in the dried out area, it does?

Mr. RIDDELL: That is right.

Mr. HORNER (*Acadia*): This is the point I am trying to make. In other words, you are classifying or reaching a different definition for cultivated land. The act says—you have in a sense two definitions for the word cultivated—flooded land that could have been seeded or summer fallowed. Am I right?

Mr. RIDDELL: The act says that if an area of cultivated land could not be seeded or summer fallowed.

Mr. HORNER (*Acadia*): I am a farmer and my particular land was flooded and it falls within an eligible area and it was seeded to grow grass, three, four, five or six years ago, but, that particular year, I had so planned my crop rotation that I wanted to summer fallow it that year but, because it was flooded, I could not. Now the act says, not be seeded or summer fallowed. Could I not inform you people of what was my intention and show you my crop rotation plans, which are always carefully drafted out?

Mr. RIDDELL: I am afraid, Mr. Horner, in answer to that question, if we were to apply the act on the intent of the farmers, if it was in flood, then we would have to use the same procedure in the case of crop failure and I am afraid we would run into no end of difficulties in connection with that. I think you will agree with me on that.

Mr. HORNER (*Acadia*): Certainly, you are going to run into no end of difficulties the minute you start to declare two categories of cultivated land.

Mr. RIDDELL: I was talking about the intent of the farmer.

Mr. HORNER (*Acadia*): But the act says, a flooded area that cannot be seeded or summer fallowed. Well, it is flooded in the spring so I cannot seed it. It is summer flooded in the summer, so I cannot summer fallow it yet, if it is grass land, I do not get a payment on it, according to you. Do you see the difficulty you are getting into? Because if that land is due to seed in the spring but it dries out by the end of August, and let us say that I realize that that land is going to call within a zero to three category, at the end of August it is dry, it would pay me $4 an acre.

Mr. RIDDELL: It would pay you $2 because you would only get half of that.

Mr. HORNER (*Acadia*): It would pay me $2 an acre to get out on a plough and scratch that up a bit would it not? Then I could tell you people it was summer fallowed, and then could I qualify?

Mr. RIDDELL: If you called it summer fallow and qualified under acreage support, yes you would qualify.

Mr. HORNER (*Acadia*): You see the difficulty you are getting into?

Mr. RIDDELL: We realize the problem here, Mr. Horner, in connection with this.

Mr. HORNER (*Acadia*): It is a real problem, because you are trying to create two definitions for the word "cultivation". As soon as you do that, you immediately have to draw the line or make a differentiation somewhere. To my

mind, you are on pretty shaky ground because I can intend to summer fallow the back 40 any time it is flooded and I could get out there at the end of October and scratch around and claim it is summer fallowed. I have always taken exception to the position.

Any time an act or the interpretation of an act makes people do something that is not, shall I say, perfectly correct or perfectly honest, in order to collect a payment, I think then we should take a pretty close look at our interpretation. In other words, let us try to make it easy for all citizens of Canada to live within the law, or live within the act. And your making a dual interpretation of the word "cultivation" puts you on pretty shaky ground, because I can intend to summer fallow a piece of land any day of the week.

Mr. RIDDELL: I would not agree that we are taking a dual interpretation of the word "cultivation" inasmuch as we are referring to the flooded section of the act. It says if an area of cultivated land could not be seeded or summer fallowed. There it is.

Mr. HORNER (*Acadia*): Could not be seeded or summer fallowed. This is the point I am trying to make. If that same area was dried out, it gets the payment.

Mr. WILLIAMS: I think part of the trouble, Mr. Horner, is the fact that, under the definitions in the act, cultivated land itself is defined as land which, in the year of the award, was seeded to crop or was in summer fallow. In other words, it is not what it was the year previous. The year of the award, in the case you are speaking of, is the year—well let us take this year for example—it has to have been seeded or in summer fallow this year to be considered cultivated land. At the time it was flooded it certainly could not have been considered cultivated land, because at that time it was neither seeded nor in summer fallow.

Mr. HORNER (*Acadia*): You are taking a fairly narrow view of this. If I have 100 acres of cultivated land that has been cultivated for many, many years, that is cultivated land whether or not I let it lie idle this year because of flood or anything else.

Mr. WILLIAMS: I am not taking that view, the act takes that view.

Mr. HORNER (*Acadia*): You have a very narrow view of the act.

Mr. WILLIAMS: It says here that cultivated land means land that in the year of the award is seeded to crop or was in summer fallow.

Mr. HORNER (*Acadia*): All right then, Mr. Williams, if I seeded grass three years ago and then need it for acreage to qualify, how do they then make a payment on it if you interpret the act as narrowly as you do? In other words, if I have 350 acres of wheat and 50 acres of grass that was seeded three years ago, and it all falls within the category of zero to three bushels, I would get paid the maximum. I would get paid for that acreage in grass?

Mr. WILLIAMS: That is correct.

Mr. W. R. BIRD (*Director, Crop Insurance*): As long as the growth activity of the grass was maintained in the year of awards, this is another category. The definition goes on and includes land that was seeded to grass in any year if the

productivity thereof was maintained in the year of awards. In other words, if the productivity was not maintained then it would not be eligible, but if in the opinion of the administration, the productivity had been maintained, it would be eligible as cultivated land.

Mr. HORNER (*Acadia*): I think most grass in the crop report would be declared and the productivity would be certainly kept up.

Mr. BIRD: I think, Mr. Horner, you would agree that, generally speaking, in the areas of PFA, when you have it flooded, so that you cannot seed or summer fallow, the chances largely are that your hay crop is going to be all the better for the moisture. Now it might happen that you get your hay crop flooded to the extent that it cannot be harvested but, generally speaking, the hay crop would improve.

Mr. HORNER (*Acadia*): Well, this is true, but alfalfa will flood right out and you get no hay crop at all. If alfalfa lies under water more than two weeks, it is gone.

I want the board—

Mr. BIRD: Do you pay on that feed?

Mr. HORNER (*Acadia*): Well, if the fellow gets out there and scratches it, they would.

Mr. PETERS: Do you pay under the flooded acreage section of the act?

Mr. BIRD: Yes.

Mr. PETERS: You would not pay for this forage crop?

Mr. RIDDELL: Alfalfa is considered a grass, it is not considered a grain.

Mr. WILLIAMS: That is under the fodder section, it would be paid depending upon the acreage, I think you realize that this depends on what the total acreage involves.

Mr. HORNER (*Acadia*): Exactly, and we are assuming that the total acreage—

Mr. WILLIAMS: That he needs this to get up to the maximum, all right.

Mr. HORNER (*Acadia*): I think, through your answers, we have already established that there are two categories for cultivation for the determination of whether or not grass were determined as cultivation. Am I right?

Mr. BIRD: I would not go that far. We certainly do not interpret grass as being an eligible acreage on which payments could be made under flood.

Mr. HORNER (*Acadia*): I realize you do not, but this is the point I am trying to make. In not doing this, you are placing the board in a very difficult position, because they are determining or making two classifications for the word "cultivation" and two classifications for seeded grass land.

Mr. BIRD: On that point I will have to disagree. We do not place the board in this position. The board makes its own decisions about these things. And, incidentally, we have met the areas of difficulty all the time: we went to our

own legal advisers to take care of it. We were on reasonably sound ground on this and then referred the legal decision on these to the board.

Mr. HORNER (*Acadia*): I am not concerned with the legal narrow or the fine interpretation of the act. I am concerned with the practical application of the act. I do not like making farmers deviate. If my land was flooded out and I needed that 50 acres to get the maximum payment, you said earlier that if I got out there and scratched around in summer fallow even as late as the end of August, that would then qualify. The point I want to make, and which I want you to understand fully, is that you are putting yourself into a whole lot of trouble and making a very, very poor application of the act.

If it became generally known that farmers would just have to go out and summer fallow that flooded acreage, even if it was the end of August, they could then get paid as much as $2 per acre for that fall ploughing, which is done very very often here in eastern Canada and used to be done quite a bit in western Canada although it is not being done too much any more.

Let us go back to the summer fallow and the intent to summer fallow. The act says: Flooded land nor seeded or summer fallowed. If I could not summer fallow it because it was flooded but I intended to summer fallow it, do you not see that your interpretation is on pretty shaky ground? Supposing for example, I have a 50-acre field of grass and 25 acres of it is flooded pretty badly. Let us say the whole 50 acres were flooded to begin with but, because the 25 acres was in lower land, 25 acres of it dried up sooner than the other. If I got out and I summer fallowed that 25 acres then, I suppose, I could claim that that land was all summer fallowed, because there would be nothing growing underneath that water. Do you see what I mean?

Mr. WILLIAMS: Yes, but for this situation to happen, surely one has to presume, Mr. Horner, that flooding is going to be followed by drought. The only way you can collect from summer fallowing, later in the year, is if your total yields are down because of drought or for some other reason. So I would think the situation is not too likely to happen. It could happen, I appreciate that, that flooding can be followed by drought.

Mr. HORNER (*Acadia*): I think that last year particularly, it did happen. It did happen along the Paddle River and it did happen along the Thames, and on the Peace River. I am not going to question you any further, I think I have made my point. I do not know whether or not you people would care to take another look at your interpretation. I certainly would like to think so because you are making farmers try and get around the act. I would rather see something clear cut, with one definition for the word "cultivation"; whether it be flooded out or seeded down or whether it be in a dry country or a wet country, I still think the word means about the same and that the payments should be made accordingly. It is really disappointing to see legislation interpreted so narrowly.

Mr. WILLIAMS: We will be pleased to review it, Mr. Horner.

Mr. RIDDELL: I might say one word in this regard. A few members of the board are farmers and they had all the relative information. I am quite aware of this area you are talking about and I think you became acquainted with one

of the members of the board too. They are all active farmers and they had all this information. They made the decision.

Mr. HORNER (*Acadia*): I know that, but they made the decision on the recommendation of legal counsel here in Ottawa. This is where I really question the wisdom of interpreting the act so narrowly, because the practical application of the act does not lend itself to two definitions of the word "cultivation".

Whether it is legally right under the act is not really for me or for any legal expert to decide, but how best the act can be applied. So consider the application of the act, one must go back to the original intent of the parliamentarians who passed it and I certainly think that in their original intent they never dreamed it would be interpreted so narrowly and that there would be two definitions set up for the word "cultivation".

Mr. WILLIAMS: I am afraid our difficulty Mr. Horner, in respect to this, is that when we interpret acts contrary to our legal opinion, we get into trouble with a gentleman called Mr. Henderson. What may be needed, and I assure you we are quite prepared to review this according to the needs, is a change in definition rather than interpreting it in the sense of the legal definition being the correct one.

Mr. HORNER (*Acadia*): I will be satisfied if you and your department take another look at this and, if the act needs to be changed, you are prepared to recommend that change.

The CHAIRMAN: Thank you, Mr. Horner.

Mr. PETERS: I notice that the amount of money spent over the year for PFAA has amounted to a little over double the previous which means that the consolidated revenue funds supplies more than 50 per cent of the payments made to farmers. Is this correct? Is it also true that the federal government pays all the costs of administration of the act?

Mr. WILLIAMS: That is right.

Mr. PETERS: What would this amount to in terms of the over-all payable accounts?

Mr. WILLIAMS: We will give you the figures in a moment.

Mr. PETERS: I would be more interested in the percentage. The reason I am asking this is that I notice the crop insurance administration is about 50 per cent federal and 50 per cent provincial.

Mr. WILLIAMS: Regarding administrative costs going back over the year, I think you will appreciate, from the nature of the statement made, that the number of inspectors varies very significantly, depending upon crop conditions during the year. Reading backwards from 1965-66, which was the last full year, the expenditure was $805,000, $1,106,000, $715,000, $774,000, $1,180,000 and $685,000. Those are the direct expenditures by the PFAA administration itself. This does not include costs of collection and so forth which are absorbed by agencies other than the PFAA. In other words, the cost of administration would be about a sixth of the amount taken in.

Mr. PETERS: The long term average year runs roughly $20 million to $22 million. The long term average cost of administration is roughly in the neighbourhood of between $700,000 and $800,000 a year.

Mr. WILLIAMS: If your statement is correct, Mr. Peters, then you are assuming an average collection, in a year of $6 million, which is approximately correct and this runs somewhat under $1 million. So, in effect, it is between a sixth and an eighth.

Mr. PETERS: In the area in which PFAA work operates, and I presume that is only the three prairie provinces,—

Mr. RIDDELL: And the Peace River district of British Columbia.

Mr. PETERS: —and British Columbia, is there a duplication in some of these areas of your coverage being duplicated under crop insurance under provincial legislation? For instance, in British Columbia, in the Peace River area, do they have a crop insurance program that will cover some area?

Mr. WILLIAMS: There is no crop insurance program in British Columbia and in the other three provinces where they have crop insurance programs, people who have a crop insurance policy, do not contribute to the PFAA fund. In other words, they do not contribute the levy and they are not eligible for assistance.

Mr. PETERS: Then it is not compulsory to pay the levy?

Mr. WILLIAMS: It is compulsory unless you are contributing to a crop insurance program and the crop insurance legislation provides the authority to exclude them from the levy and also from the benefits.

Mr. PETERS: What percentage of the farmers producing wheat, oats, barley, flax and rapeseed would be covered in Manitoba, Saskatchewan and Alberta?

Mr. BIRD: In Manitoba in this year's program, there are 13,000 farmers out of approximately 35,000. In Saskatchewan there will be 7,000 out of 90,000 and in Alberta there will be 4,500 out of 70,000.

Mr. WILLIAMS: That is 5 or 6 per cent. This is Alberta's second year.

Mr. FANE: Is Alberta increasing the areas of their crop insurance this year?

Mr. WILLIAMS: Yes.

Mr. PETERS: From what I know of, I would have thought it would be downright stupid to cover it with crop insurance when you could cover it with a 1 per cent levy. Why are people using the crop insurance rather than the PFAA?

Mr. WILLIAMS: The maximum benefits which can be arrived at under PFAA are $800. There is no maximum essentially under crop insurance. Now I say there is no maximum, but obviously there is a maximum for any particular set of circumstances but, irrespective of the set of circumstances, there is a maximum of $800 under PFAA.

Mr. PETERS: What is the maximum of the levy that can be collected on this $800?

Mr. WILLIAMS: One per cent.

Mr. PETERS: One per cent of what?

Mr. WILLIAMS: Of the total returns.

Mr. HORNER (*Acadia*): Of grain sold.

Mr. PETERS: Therefore, the little farmer has a big advantage under the PFAA and the big one has no advantage. Is that right?

Mr. WILLIAMS: I would not say no advantage. Once the payment a farmer makes exceeds the total eligibility, obviously anything else he pays is going to benefit someone else, not him.

Mr. PETERS: In the operation of crop insurance, is there a duplication of people being employed to do the evaluating? Is it possible, in a given area, to have two sets of inspectors and adjudicators?

• (4.30 p.m.)

Mr. BIRD: The provincial government operates the crop insurance program sir, and they are all provincial employees. The PFAA evaluation, as you put it, or collection of yield statistics, is done by a federal staff.

Mr. PETERS: Has there been any federal attempt to do the evaluating for crop assistance? Why I ask is that if we are paying 50 per cent of the administration, I would think there may be some advantage to the provinces using the same people.

Mr. WILLIAMS: You ask if some consideration has been given. Yes, some consideration has been given but, as yet, we have not been able to develop any workable program. Irrespective of the fact that it is entirely possible these people might be helpful, these are seasonal employees, they are employed for a specific time on a specific job and then are released and are employed full time on PFAA work while they are employed. It is possible that their attributes and knowledge could be used at some future date but, because of the relatively new nature of the crop insurance, this has not as yet been done and I am not certain it will ever be done. It is not at all being discarded as an idea.

Mr. PETERS: What is the situation in Manitoba, Saskatchewan and Alberta respectively on the type of employee they use for the evaluation. Is this done by provincial employees? Are these inspectors part of their departments of agriculture on a permanent basis?

Mr. BIRD: They are normally part-time employees.

Mr. PETERS: In other words, they are hired somewhat the same as PFAA?

Mr. BIRD: They are hired in something of the same manner as a hail insurance company will hire their seasonal inspectors.

Mr. PETERS: Are the PFAA inspectors still hired on a political basis?

Mr. RIDDELL: If you remove the word "still" from that question, we will answer it.

Mr. PETERS: Well, I happened to be on the agriculture committee a couple of years ago and there was a great change taking place in the PFAA people

and I presumed this. Maybe I should ask the question: Have they returned to their original—

Mr. RIDDELL: No, they are not hired on a political basis, Mr. Peters. I can vouch for that.

Mr. PETERS: Do you disagree that they were, at one time?

Mr. WILLIAMS: I am not prepared to agree or disagree.

Mr. PETERS: I have one last question. I am not sure how close the PFAA administration is to the government, in terms of thinking, but are recommendations being made by the administration regarding the integrating of crop insurance administrative program to the PFAA in order to phase it out?

The CHAIRMAN: So they will not have the duplication and just have one organization.

Mr. PETERS: Are recommendations being made towards this end?

Mr. HORNER (*Acadia*): Do you want to do away with PFAA?

Mr. WILLIAMS: You mean to pay PFAA or to phase out the separate operation?

Mr. PETERS: That is right, so they can be both brought under one administrative operation.

Mr. WILLIAMS: There are no specific recommendations being made at present in respect of that.

Mr. PETERS: It seems to me that there is a duplication and that it appears to be growing.

Mr. VINCENT: Mr. Chairman, one is a joint program and the other is purely a federal government program.

Mr. PETERS: The duplication, Mr. Chairman, as I see it, stems from the coverage rather than the protection being provided to farmers with some government assistance in both cases. One third of the farmers in Manitoba are now under crop insurance and this has only been in operation a couple of years. The other has been in operation, I understand, for about 29 years. This is an indication that there is more advantage in the one kind of program than in the other. I think I should ask this the other way about: what is the advantage of maintaining PFAA in lieu of crop administration?

Mr. WILLIAMS: I think the simple answer to that is that, in certain areas, PFAA is to the benefit of the producers and, in certain other areas, crop insurance is to the benefit of producers.

I cannot speak of the government position on this but basically, the departmental position is that producers should be given the opportunity, over the years, to reach a decision themselves concerning which is the best for them. They have the opportunity under crop insurance. If everyone decides that they would rather have crop insurance rather than PFAA. then this will be the case. If, on the other hand, the other decision is made by the producers themselves, I presume that the two programs would remain.

Mr. PETERS: Mr. Chairman, I have always felt that PFAA was a much better program than that of crop insurance and, for this reason, should be extended to the rest of Canada. I am surprised at the number of people in Manitoba, which has a mixed farm population, who are turning fairly rapidly to crop insurance. I am curious as to why this should have developed when I was of the opinion that PFAA was a pretty advantageous operation.

Mr. WILLIAMS: I think I could state it very simply in this way. The maximum coverage that was available under PFAA last year, or any other year, is $800. The average payment that was made, I think in recent years, is something roughly over $300. The average coverage under crop insurance is better than $2,000. So that if a man loses a crop under crop insurance, he has a great deal more coverage than he does under PFAA.

Mr. PETERS: But his premium is much greater to.

Mr. WILLIAMS: There is no argument about that at all, Mr. Peters.

Mr. PETERS: Why have we not considered upping the $800 to a maximum of $2,000 particularly in light of the fact that in 29 years, obviously farms have increased in size and that probably they have doubled. There would be an indication that probably the maximum should be $1,600 at least. Why have we not given consideration to this aspect? In other words, we were protecting, at one time, a half section and now we are probably protecting a section or more. Why have we not been asked to amend this legislation to give a more realistic coverage?

Mr. WILLIAMS: I think this has been considered on many occasions and I think that the farmers of Canada, in submissions and representations they have made, have essentially rejected the idea that the benefits should be increased if it involved increasing their contribution.

Mr. PETERS: Yes, but we look at the fact that the levy has brought in $6 million and the average annual payment, without the administration, is $13 million. For every dollar you spend you get two back; that is a fairly satisfactory arrangement.

Mr. BIRD: Essentially, I think this is true, Mr. Peters, that if you increase the coverage or the protection under PFAA, it naturally follows that you have to increase the farmers' contribution, as well as possibly the federal contribution.

Mr. PETERS: Is it not true that out of this increased acreage that the farmer would be shipping twice as much grain now as he did previously?

Mr. WILLIAMS: Well then, he is paying twice as much.

Mr. BIRD: This will provide additional help for the small farmer. It would follow that the farmer would have to have his contribution increased. There are areas in western Canada, very considerable areas, which have been paying into PFAA for 25 years and have not received any payments or probably payments in only one or two years. If you were to increase the contribution of the farmers in those areas by raising the levy to 3 or 4 per cent, they would create quite a disturbance about this. They would not be very happy about it. If

you wanted to remedy that situation you would have to establish areas and levels for each one and this, essentially, is crop insurance.

Mr. PETERS: Have we not done that with crop insurance? Have we not established areas for crop insurance payments? The premium is not equal across the province is it?

Mr. BIRD: This is true and, while we are not constitutional lawyers, there is an area here where it ceases to be a provincial matter and becomes a federal matter under federal jurisdiction. When you get into crop insurance, we are told that this, basically, is a provincial matter.

Mr. PETERS: I will pass now, Mr. Chairman, but I still think there are fields in this which, if explored, could be extended to other provinces and change the concept of both crop insurance and PFAA. From my point of view, there is a duplication and there is also a philosophy in PFAA that could be extended to advantage to other parts of Canada. If we had a method of collecting our levy on the products sold, it would be a better way of insuring than covering under the crop insurance now available to mixed farmers.

The CHAIRMAN: Mr. Olson, you are next.

Mr. OLSON: Mr. Chairman, I want to say, at the outset, that I believe the total cost of PFAA, over the 27 or 28 years it has been in operation and divided over the large number of farmers in the three prairie provinces, who have at least had it available to them in the event of a crop disaster or complete crop failure, is probably one of the cheapest forms of crop insurance any country in the world has ever devised, taking into account the contribution of both the farmers and the federal government. I certainly hope that, not only the government, but the department and all others who are concerned in the transfer of part of this area from PFAA coverage to crop insurance coverage, will move cautiously, at least to the extent that we see that crop insurance which, as far as I am concerned, is only in the pilot project stages in many areas proves satisfactory, because—

An hon. MEMBER: Alberta and Manitoba.

Mr. OLSON: Well it may be, but it is still less than 50 per cent on the farmers who are even eligible to take out crop insurance in Manitoba, where it has been under way for several years. From some of the information I have received from Manitoba, I understand it is not completely satisfactory to all of the farmers in those areas, even after these experimental years. I only say that because I think that with 27 years of PFAA experience, and the amendments and changes and so on, that have taken place, we had better not throw away something that is useful and valuable until we are certain that some new method is going to satisfactorily replace it.

Mr. CHAIRMAN: I would like to turn to some of the recommendations made by Commissioner Pope when he filed his report on December 21, 1963 and to deal with the last one first, where he recommended that consideration should be given to placing the permanent staff of the PFAA under the Civil Service of Canada or what would now be termed the Public Service, under the new bill. Has anything been done to place the staff under the permanent Public Service of Canada?

Mr. WILLIAMS: No action has been taken in respect of this, Mr. Olson, since this requires an amendment to the act.

Mr. OLSON: It requires an amendment to the P.F.A.A. act?

Mr. WILLIAMS: Yes.

Mr. OLSON: We will then have to await action by Parliament then?

Mr. WILLIAMS: That is correct.

Mr. OLSON: Then, recommendation number 3, where he recommended that consideration should be given to the feasibility of securing reports through the secretaries of municipalities affected by the crop failure. I think he went on to recommend that P.F.A.A. administration should provide some reasonable financial reimbursement to these municipalities for doing that. Has this been explored?

Mr. WILLIAMS: No, we have not taken any action in that regard.

Mr. OLSON: I know no action has been taken, but I was wondering if there had been any studies on what Mr. Justice Pope said, feasibility. Has there been any survey made to see how it works?

Mr. WILLIAMS: No, we have done no survey.

Mr. OLSON: The other recommendation is the method in which reports are obtained and received under the act and regulations. He suggested greater care should be taken in investigating and checking the accuracy of these crop reports. Has some amendment or changes in the actual way of doing this been taking place since that?

Mr. RIDDELL: Yes, since this report has come out, Mr. Olson, we have what we call our field audit staff under a special investigator, who is a permanent member of our staff, and he then has a staff and goes into the field, picks out cultivated acreage reports already taken in various checking offices throughout the area inspected and goes back and checks the acreages and checks the bins to see that the inspector has done a good job and to see that the farmers have given the correct information.

Mr. OLSON: Is this done on a spot check basis?

Mr. RIDDELL: Yes, a spot check basis.

Mr. OLSON: What would motivate you to select a spot? I am not trying to find out why you would select one certain township or another, but would there be something in the reports to indicate that it warrants a re-check or a re-investigation?

Mr. RIDDELL: We have a method of collecting reports. We have what we call a checking office in the field and that checker would be in charge of from six to eight inspectors. Then the supervisor is in charge of that checker in the checking office. If he has reason to believe, while checking these reports every day, that the reports from that area may be not correct, then he will call in the field audit staff and they may go into that area. They can go into any area they feel that is necessary.

Mr. OLSON: I see, but are you, as a basis of policy, going to go into perhaps different areas every year and make a re-investigation on whether irregularities show up in the crop report or not?

Mr. RIDDELL: If we find irregularities—

Mr. OLSON: I understand that, in that case, you would automatically go back.

Mr. RIDDELL: Yes.

Mr. OLSON: But is there going to be more or less regular determination to go back to certain areas and, as I said, different areas in different years, to check out the accuracy of a group of crop reports, whether or not you find what might be termed irregularities?

Mr. RIDDELL: I think it is a good practice to follow, in order to make sure we are getting these correct reports.

Mr. OLSON: What I am asking you, Mr. Riddell, is whether or not this is the policy of the administration now?

Mr. RIDDELL: Yes, it is.

Mr. OLSON: You have already begun to do this?

Mr. RIDDELL: Two years ago we started doing this and we intend to do it again this year.

Mr. OLSON: I think that is all for now, Mr. Chairman.

Mr. SOUTHAM: One of my questions has been covered by Mr. Olson and the witnesses, respecting the bringing of administrators in P.F.A.A. under the Civil Service Act. I remember this came up for discussion on several previous occasions.

Mr. WILLIAMS: If I could interrupt here and add something to the evidence I gave a moment ago about requiring a change in the act. I have just been informed by Mr. Parker that there is a possibility, under the new Civil Service Act, that it may not require an amendment to the act. However, this matter has not yet been fully investigated.

Mr. OLSON: I have not looked at the P.F.A. Act recently, but was there a requirement in that act which laid out the conditions for the hiring of all of the staff?

Mr. WILLIAMS: Section 90 of the act says:

> The governor in council may appoint such officers, clerks and employees that may be deemed necessary for the official administration of this act and such officers, clerks and employees shall hold office during pleasure and receive such salary or other remuneration as may be fixed by the governor in council.

Mr. OLSON: And under the new Public Service Act it would supersede this part of this act?

Mr. WILLIAMS: I am not certain of that, Mr. Olson. There is a possibility that it may.

Mr. OLSON: I have one final question of Mr. Riddell. How much of the staff and at what level would they come into this new public service and where would there be based what you would call part time employees? They would not be given civil service or public service status?

Mr. RIDDELL: No.

Mr. OLSON: Would it be only the field inspectors who would be excluded?

Mr. RIDDELL: We have a staff of 58 people now and they would be covered under this, but not the field inspectors. They are what we call casual help. That does not include field checkers or the field inspectors, but it would include the supervisors in the field, the Edmonton office staff and the Regina staff.

Mr. OLSON: What about the other field officers, such as the one you have in Hanna? Would any of those employees be included?

Mr. RIDDELL: The supervisor. He could be what we call a permanent member of staff. He is on a year round basis and he is working 12 months of the year for us.

Mr. OLSON: Thank you.

Mr. SOUTHAM: I am glad this problem is under consideration because I have had the privilege of knowing and meeting a great many of the people who carry out the administration of P.F.A.A. and, as you say, they are permanent. I think their future security should have serious consideration with respect to bringing them under the Civil Service as far as pensions and so on are concerned.

The other question I have is similar to the one introduced by Mr. Horner a few minutes ago, only I would like to refer to the heavy demand which has been made on P.F.A.A. in recent years for compensation through hail damage. Here, again, is a particular problem where, due to this vicissitude of nature where hail comes in and sort of hits and misses, it makes it difficult sometimes to set up the areas, as far as the giving of benefits is concerned. Dissatisfaction has been emphasised recently, due to the fact that Mr. Woolliams, the member for Bow River, has introduced a private members' bill into the House as an amendment to the present P.F.A. act. Mr. Riddell, would this assist you people in administering this act or is this encroaching on the field of crop insurance, for instance? I am just wondering what stand we should take on this.

Mr. RIDDELL: You are referring to the bill of Mr. Woolliams?

Mr. SOUTHAM: That is right.

Mr. RIDDELL: I have read the bill and given it some study. I am not too sure just what he means on a lot of these things. The intent of the Prairie Farm Assistance Act is that it is paid on an area coverage basis, whereas I notice Mr. Wooliams, in his bill, refers to the payment of an award on the basis of the farmer's unit. Whether he means a quarter section or a section of land is not clear as far as I am concerned. Therefore, I do not feel that I am in a position to pass too much judgment on it.

My first impression of it is that it is very difficult to interpret because, as far as the administration is concerned, from the standpoint of hail and drought, it is very difficult to establish what is the actual cause of crop loss in some of

these areas, particularly in a dry year. If you have a hail storm or if you have grasshoppers or drought, then you get a hail storm on top of it. All these things must be taken into consideration.

Mr. SOUTHAM: I appreciate your difficulty in processing these applications, particularly when damage is due to hail damage and I believe this is a fact. I am trying to be helpful here. You have had a great deal of experience in administering the act in respect of all these damages but, with particular reference to hail, have you any suggestions to make which might assist in modifying or improving the act? I agree with the previous comments that P.F.A.A. is going to be here for some considerable time yet.

Mr. RIDDELL: I do not think I am in a position to make any comment in that regard at the present time. All I can say is that we have made submissions for amendments to the act from time to time since I have been director. That is as far as I can go in this connection.

Mr. OLSON: I have a supplementary, Mr. Chairman. Have you given any consideration to how much additional cost would be involved in trying to set up P.F.A.A. awards on an individual farm experience, rather than on the 12 sections required now?

Mr. WILLIAMS: I would think I would have to say this; we have done quite an exhaustive study on the costs and possible returns to farmers of various amendments to the act. These have been done on the basis of historical data collected, one difficulty being that the data was collected under a certain set of circumstances, namely those prescribed by the act and, to try to superimpose another set of conditions or circumstances on that, may be misleading. However we have done this and we have been able to develop certain figures in respect of anticipated costs and benefits from different types of changes in the act or the regulations or in the methods of administering them.

Mr. OLSON: Havee you any figures of what it would cost to administer this on the basis of a single farm experience?

Mr. WILLIAMS: When you say the cost of administering it, you are referring to the total cost to the government, not just the cost of administration I take it, Mr. Olson? The cost of thee awards?

Mr. OLSON: I do not want to encroach on someone else's time, but it does seem to me that the cross cost of administering, never mind the awards that are paid, would increase substantially, because of the extra detail required to find out the cause of the loss and whether that kind of a loss was provided for in the regulations.

Mr. WILLIAMS: I am afraid I mislead you then, Mr. Olson. We looked at it from the other standpoint, not the actual cost of administering it, in the exact sense of the word, but we looked at the total cost of the program under different types of systems of awards.

Mr. OLSON: I would be interested in that figure, if it is convenient. If it is not, I will get it some other time.

Mr. WILLIAMS: I am afraid we do not have it with us right now, but we will be glad to provide it.

Mr. CLERMONT: Mr. Chairman, do the officials have the annual figures available for 1963, 1964, 1965 on revenue for the 1 per cent levy and, for the corresponding years, the payment made under that act?

Mr. WILLIAMS: In the crop year 1962-63, the levy was $8.6 million, in the following year it was $10.7 million and the next year it was $10.5 million. I am rounding these figures to the nearest decimal place. The payments in the corresponding years were $15.5 million, $9.7 million and $12.6 million.

Mr. CLERMONT: For the same years, do the official have the amount paid for those who were unable to seed or summer fallow?

Mr. WILLIAMS: This includes all awards.

Mr. CLERMONT: According to the act, the municipalities are responsible for making application to the administration. Is the decision of the administration final or can the municipality make an appeal if they are not satisfied?

• (5.00 p.m.)

Mr. RIDDELL: The municipalities can appeal, as they make the original application. If they indicate to us that an inspection is necessary by reason of having an estimated 8 bushels less per acre, we go in and inspect it. They must send that into our office by September 15 each year, but we also give them an opportunity up until sometime in November to amend the estimated yield in case they have over estimated it.

Mr. CLERMONT: Supposing the final decision of the administration is not satisfactory to the municipality?

Mr. RIDDELL: After the reports have been taken you mean? The board decides then whether or not it is eligible and their decision is final.

Mr. FANE: Mr. Chairman, I am sure the director and Mr. Bird, are worried in case I am going to talk about our 1964 difficulties all over again, but I am going to fool them because I am not. I want to go on from where Mr. Horner left off, with regard to flooded areas. As both the director and Mr. Bird will remember, a few years ago there were about 25 townships in my constituency which were flooded entirely all spring and summer. They had 35 inches of rain that year in an area where the normal is somewhere around 8 inches. That is the area around Thorhild, Redwater; you know the area well. The farmers were not able to sow wheat on their summer fallow, according to the awards that were made. You say here; "in addition, special provision is made for payment at the rate of $4 per acre in certain areas where farmers are unable to seed or summer fallow lands because of natural causes beyond their control". I maintain that those people should then have been eligible for payment on that land. Thousands and thousands of acres were summer fallowed one year. The next year this inordinate rain happened and they were not able to sow more than 10 per cent of the summer fallow that they had from the year before. They could not to do anything on it and they got no consideration for that. I am sure Mr. Bird, at least, remembers the occasion.

I think they were unjustly treated at this time. That was four years ago.

Mr. BIRD: I am sorry, Mr. Fane, I must confess I do not recall the details of that. There have been so many more in the interval, I suppose—

Mr. FANE: That is right. Do you not think they should have received consideration on that?

Mr. BIRD: I would not express an opinion without looking at the account of it.

Mr. FANE: I think, in cases like that, the yield they got from say the 10 acres should have been spread over the whole 100 acres they did not sow and that would have made the whole area eligible.

Mr. BIRD: I can see where there is some merit in giving this type of consideration to a farmer, but you immediately leave yourself open to everyone saying: I intended to seed 200 acres where, in fact, they only seeded 1 acre and thereby reduced the acreage.

Mr. FANE: But this is not a case where it was said: I intended to. The land was summer fallowed from the year before. It takes two years to get a crop off summer fallow and I think this yield should be considered as a yield from two years.

Mr. BIRD: As I understand it, and I just want to make sure of this, you are contending that, in this case, a farmer who had 100 acres summer fallowed and was only able to seed 10 of it should have had the yield off that 10 acres averaged over his 100 acres he intended to seed?

Mr. FANE: Exactly that. I think that is the only fair way because he got no crop off the summer fallow the year before. It took two years and that was two years it was out of crop and the next year he was not able to do anything with it, even in the fall of that year. They were lucky to even get the 10 acres or so that they seeded for 100 acres.

Mr. BIRD: The 10 acres actually yielded well above 8 bushels per acre in this case?

Mr. FANE: That is for sure. They probably got 25 or 30 bushels. That is all they were able to get, though, about one tenth of the land they had summer fallowed.

You cannot say, in that country, that a farmer had to express intent that he was going to sow wheat on his summer fallow, because 99 per cent that is what summer fallow is for.

Mr. BIRD: Well, I would suggest then, that if we were going to follow your suggestion, we could do it only through an amendment to the act.

Mr. FANE: Could you make inquiries and see about an amendment?

The CHAIRMAN: I think, Mr. Fane, that the Committee has the power to make recommendations if they so desire. It could be considered when the Committee is summing up.

Mr. FANE: Since I am not legally a member of the Committee, will you undertake that, Mr. Chairman.

The CHAIRMAN: There is nothing to stop you from making that suggestion.

Mr. FANE: There is something more I would like to suggest that I hope the Committee will recommend. In order to be eligible, sections should not have to join the block by the sides, kitty-corners ought to be good enough. They are connected and, in that way, sections where the yield is more than 12 bushels, can be cut out, as is the custom now, without cutting out other sections. If they join cornerwise that still makes them part of a block and, believe me, this business of having crop failures in rectangular blocks is pretty naive, because crop failure does not come in rectangular blocks, it comes in various other shapes. If, to be eligible you have to have all the sections then I think they should be able to be connected in any way and I think that the number of sections should be cut down from 12 to 6. That is my recommendation.

Mr. CHOQUETTE: I have a supplementary recommendation. Suppose the Committee decides to organize a trip, I would strongly recommend that our friend be invited, even if he is not a member of this Committee.

The CHAIRMAN: We will take that into consideration.

Mr. HORNER (*Acadia*): I have a couple of supplementaries and then I have a few questions of my own.

Following up Mr. Fane and the kitty-corner.

The CHAIRMAN: Could you explain what kitty-corner means?

Mr. HORNER (*Acadia*): Well, when you are milking a cow you milk one front teat and one back teat, they are kitty-corner to one another. I think everybody quite understands what kitty-corner means. Were sections ever considered this way in the past?

Mr. RIDDELL: Yes.

Mr. HORNER (*Acadia*): If it was done, why and when was it stopped?

Mr. RIDDELL: In 1962 it was done, Mr. Horner.

Mr. HORNER (*Acadia*): It has been stopped ever since then?

Mr. RIDDELL: In 1963 we were advised by legal opinion that it was not within the intent of the act.

Mr. HORNER (*Acadia*): What does the act specifically say in this regard? Does it say they must be lying adjacent to one another?

Mr. RIDDELL: Notwithstanding anything in this act where a section of land, or a settlement or river lots in the group declared to be a township for the purpose of this act where a block of sections or a settlement or river lots in one or more groups having a side that lies along the boundary of an eligible township is determined by the board to have an average yield of 8 bushels of wheat or less per acre, is eligible for an award as though it were a complete township.

Mr. HORNER (*Acadia*): That is for one laying aside an eligible area. I am talking about determing the eligible area, to start with. Does the act say specifically that 12 sections must be in a rectangular block?

Mr. RIDDELL: Well, getting to the rectangular block portion of it, then that is another section of the act where the whole eligible township does not qualify,

then the minimum area that we can pay on is a rectangular block of one third of a regular township which is 12 sections. This section 6A is what we hook onto an eligible township. This is what you are referring to, I believe. It says a block of sections and that has been determined as meaning that it must lie along the side of.

Mr. HORNER (*Acadia*): In the period 1962—

Mr. PETERS: As a supplementary question, could I ask why you got this legal opinion in 1962 or 1963?

Mr. RIDDELL: Because this is a practice which had been followed in all previous years.

Mr. PETERS: There must have been some reason. You do not ask for legal opinion about something you were doing before.

Mr. RIDDELL: The point was raised concerning the legality of the particular practice which was being followed.

Mr. PETERS: By whom? I am curious about how this was raised.

Mr. RIDDELL: It was raised within our own administration and within the department, whether or not we were following—

Mr. PETERS: It must have been a specific case.

Mr. RIDDELL: No, I do not think it was. It was just a matter of how we should interpret this section of the act.

Mr. HORNER (*Acadia*): In the years it was done, did you find that the act was easier to apply?

Mr. RIDDELL: Do you want my opinion?

Mr. HORNER (*Acadia*): Yes, I want your opinion.

Mr. RIDDELL: I felt that when it was done, we were getting to more farmers who should have been paid than by following the other system. I felt there was a much more fair reasoning to it.

Mr. HORNER (*Acadia*): That is fine. I will not question the kitty corner bit any more. I think with your statement in that regard, this Committee should be prepared to recommend a change in this regard.

To go back further to the flooded question. Supposing I summer fallowed the land—as a number of farmers had—for a year and then flooded the following year, would you make payment on that? In other words, would it be classified as cultivated land and be eligible if it fell within an eligible area?

Mr. RIDDELL: I do not know what I can answer that question. I would have to know the—

Mr. HORNER (*Acadia*): But it is a good example of the difficulty in which you find yourself in the narrow interpretation of the act when outlining two definitions of the world cultivation. Am I right?

Mr. RIDDELL: We realize that this section of the act is difficult to interpret.

Mr. HORNER (*Acadia*): I will not proceed with that any further.

Mr. PETERS: I would like to ask how you get this information for interpretation?

Mr. RIDDELL: The board interprets that.

Mr. HORNER (*Acadia*): In determining an eligible area and whether or not a section of land is eligible, you use the wheat acreage and the wheat yield, do you not? I have not got it before me but I read the act over on this question very very carefully and I cannot see why oats and barley cannot be converted to wheat in interpreting the eligibility of a section or a township. Would you care to comment on why they are not used and converted to wheat under the act?

Mr. RIDDELL: Under section 2(b) of the act it says: "If the average yield of wheat in the township" wheat is used as the yardstick in all cases. In the regulations the act goes on to state: "where less than 10 per cent of the seeded acreage to grain in the township is sown to wheat, the yield of rye, oats, barley, flax or rapeseed, whichever predominates, shall be used at the index for the purpose of determining the eligibility of the township. I think the act is quite clear on that.

Mr. HORNER (*Acadia*): Let us suppose a section is considered and there is no wheat seeded to the section, what do you do in that case?

Mr. RIDDELL: Within an eligible township?

Mr. HORNER (*Acadia*): And it may be lying alongside an eligible township.

Mr. RIDDELL: And the yield is?

Mr. HORNER (*Acadia*): Say the yield is low in oats and barley.

Mr. RIDDELL: If it is a wheat township, then we cannot set up a coarse grain block in a wheat township. Wheat must predominate.

Mr. HORNER (*Acadia*): Let us take for example the Red Deer area, which grows coarse grain predominately, and coarse grains have a 1 per cent deduction, of which I think the Committee is well aware, do you not feel that a fair application of the act could be made if oats and barley were converted to wheat. The act sets out that there shall be 2 bushels of oats equal to one bushel of wheat and I think 1½ bushels of barley is equal to a bushel of wheat. Do you not think there should be a conversion in determining eligibility of an area, particularly in an area which is predominately a coarse grain area?

Mr. RIDDELL: Well, if it were predominately a course grain area then, of course, wheat will not be the yardstick, the predominant coarse grain would be used as the yardstick for determining this.

Mr. HORNER (*Acadia*): I am well aware of that, but supposing there is a little bit of wheat seed, then that sets it all off, that fouls it all up. What I am saying is that we should take the wheat into consideration, but we should also convert to oats and barley and get a true and accurate picture of the yield. Am I not right and would not this be a fair application, rather than let 11 per cent acreage of wheat rule the whole area, and this is what will happen. Would it not be fair if these others were converted? It would not really take that much more arithmetic.

Mr. BIRD: I would not be opposed to that idea, Mr. Horner. There are obvious difficulties with oats, particularly as a lot of farmers do not cut all their oat crop and, as you know so well, they keep a lot of it for grain feed, and so on, and it becomes a little difficult to determine what those yields are. I suppose you could work out equivalents there too, but there are some obvious problems.

Mr. HORNER (*Acadia*): But it would be a fairer application in certain areas. Thank you, Mr. Bird.

With regard to determining an eligible township and whether or not the township or the area has below an 8 bushel yield, do you take out the 12 bushel sections first before determining the eligibility of the township or do you do it after?

Mr. RIDDELL: No, after.

Mr. HORNER (*Acadia*): Would it not be better if you took them out first? I will go back to my other definition. Would the act not apply more fairly to all farmers, if we took out the 12 bushel sections first? I will go on to explain myself. Then the remaining section may well fall within a lower category. Am I right?

Mr. BIRD: They do, anyway, because we take them out afterwards.

Mr. RIDDELL: Before we pay, we take them out.

Mr. BIRD: Before we pay, in determining the category of payment, Mr. Horner.

Mr. HORNER (*Acadia*): So, you take them out then?

Mr. BIRD: Certainly.

Mr. HORNER (*Acadia*): But you do not take them out before you determine the eligibility of the township?

Mr. RIDDELL: That is right.

Mr. HORNER (*Acadia*): Let us follow that up for a moment. If you did take them out, would you not get more eligible townships from the eligible area?

Mr. BIRD: I think that stands to reason.

Mr. HORNER (*Acadia*): It stands to reason it would.

Mr. BIRD: That is, completely eligible townships. This way we probably have more blocks because they get covered by a block very often when the township is not eligible.

Mr. HORNER (*Acadia*): Yes, you could cover it by a block, but if there is a section sitting kitty corner to that block, a farmer is out of luck, and yet he sows in that township.

I am not going to pursue that question any further. I think I have made my point and I hope that, in your recommendations to the department and to the Minister, you would consider the feasibility of applying the theory that I have expressed.

One further question. Mr. Chairman, I do not know what your ruling is. Are we going to sit this evening or are we going to be through with Mr. Riddell this afternoon?

The CHAIRMAN: I think if we could finish now, it would not be necessary to sit this evening.

Mr. HORNER (*Acadia*): I will be co-operative and I will just ask one more question. It will not be necessary for the Committee to sit this evening.

With regard to the 1 per cent levy, is it taken on rapeseed? Is it taken on flax and mustardseed too?

Mr. RIDDELL: Not on mustard.

Mr. HORNER (*Acadia*): And on all other grains, the 1 per cent levy is taken?

Mr. RIDDELL: That is right.

Mr. HORNER (*Acadia*): In determining cultivated acreage, do you consider rapeseed as cultivated acreage?

Mr. BIRD: As seeded to a crop.

Mr. HORNER (*Acadia*): You are aware that the Wheat Board does not consider rapeseed acreage as an acreage in which one could sell quoted grain on.

Mr. BIRD: I am not familiar with the Wheat Board acts, but the P.F.A. act says you do.

Mr. HORNER (*Acadia*): There is an interesting differentiation between the two acts. We are all basically farmers and you would think we could iron that one out. I will forego any further questions, Mr. Chairman.

Mr. STEFANSON: Some of the questions I had intended to ask have already been asked so I will be quite brief. Even though crop insurance has been made available to the provinces, do you feel that P.F.A.A. will be needed for the foreseeable future?

Mr. BIRD: Do you want my personal opinion sir?

Mr. STEFANSON: Yes.

Mr. BIRD: I agree with that stand.

Mr. STEFANSON: When Mr. Olson made his remarks, he referred to crop insurance and—

Mr. HORNER (*Acadia*): He just came in and asked a few questions and then left—a very terrible thing.

Mr. STEFANSON: Well, he referred to crop insurance which, of course, has not been advanced much in Alberta or in Saskatchewan. The only province that has really made a stab at it, or a worth while effort, is the province of Manitoba. They have pioneered and been the leaders in promoting crop insurance. Crop insurance has to be sold, it does not automatically sell itself. Throughout the area I represent—and I think I represent one of the most interesting areas in Canada, namely, the Interlake area—farmers are sometimes flooded out, sometimes it is too dry. They get their crop in late and then they have early frost and they have all the elements to fight that you would have anywhere in Canada. They have always said to me that P.F.A.A. should be on an individual basis. Of course that is crop insurance. They have always felt that the qualifying area is too large, because they are hit by maybe a hail strip here or

an early frost which settles in pockets and does not take the whole township. Many farmers have really nothing, but yet the township does not qualify because there are enough who have above that yield. This is a very distinct problem in the Interlake area.

Mr. BIRD: In this connection, Mr. Williams said that we had carried out studies in the department and this is one of the things we are studying. In fact, we have done quite a bit of work on it. We have been under the impression that it was the general desire of farmers and farm organizations, that P.F.A.A. operate on an individual farm basis. We got a bit of a surprise this spring, in March, when the Saskatchewan Association of Rural Municipalities introduced a resolution supporting this idea of the farms being considered on an individual basis and this was defeated on the floor of their convention.

Mr. STEFANSON: I realize this is a difficulty. I wanted to ask one other question: You are probably aware that the waters in Lake Winnipeg have reached an all time high and that a considerable amount of farm land is being flooded along Lake Winnipeg today. Quite a lot of this is cultivated land. I do not know whether they have any crops in or whether it was flooded before they could even get their crops in, but it is going to get worse, because the lake always rises until at least August. Therefore, there may be other lands flooded that are not flooded now. In this particular area that is already flooded, and if there was summer fallow and so on and the farmers did not get their crops in, will they be able to qualify for P.F.A.A.?

Mr. RIDDELL: If they feel they have an area there that is flooded and they make application to us by July 15, why we will go in and inspect the area and if we can come up with an area of flooded land that qualifies under the flooded section of the act, which is required, then they could qualify for assistance under that section of the act.

• (5.30 p.m.)

Mr. HORNER (*Acadia*): I have a supplementary. What if they do not make application by July 15?

Mr. STEFANSON: It is September 15.

Mr. RIDDELL: No, under the flood section of the act, it is July 15.

Mr. HORNER (*Acadia*): What if they do not make application by July 15 through negligence?

Mr. RIDDELL: We cannot accept the application then, under the flood section of the act.

Mr. BIRD: I might say, sir, that under exceptional circumstances in the past, I can give you an example, of a municipal secretary dying and the whole office routine close to the deadline being thrown into confusion at that time. There was no application made prior to the deadline. Under those circumstances, a special order in council was passed.

Mr. STEFANSON: We hope nothing like that will happen.

The CHAIRMAN: Only extreme conditions would warrant it?

Mr. BIRD: Under an extreme condition of that kind.

Mr. HORNER (*Acadia*): Why does the act specify July 15? Why was that date arrived at? Why not make it August 15?

The CHAIRMAN: Why would you want it extended, Mr. Horner? They would know by then that they were not going to plant.

Mr. HORNER (*Acadia*): They might not know; a lot of crops could still be seeded.

Mr. STEFANSON: I can give you an example in Manitoba. This goes back two or three years when they had a terrific heavy rain in early August which wiped out a whole area near the Stony Mountain area. The water ran over the highway. So I think there is some merit in changing this date.

Mr. RIDDELL: Did it destroy a standing crop?

Mr. STEFANSON: The crop was seeded.

Mr. CHAIRMAN: That was defined as summer fallow.

Mr. RIDDELL: Then the regular provision of the act would cover that.

The CHAIRMAN: You were specifically speaking about summer fallow before, were you not, Mr. Stefanson.

Mr. STEFANSON: Yes I was. Those are all the questions I have, Mr. Chairman.

Mr. PETERS: May I ask a supplementary, Mr. Chairman. Does the board back check on P.F.A.A. payments by utilizing figures from the Wheat Board and grain agencies?

Mr. RIDDELL: Occasionally they do.

Mr. PETERS: Is this an audit kind of control that is done periodically?

Mr. RIDDELL: Our inspector checks the permit books as they take reports from the farmers and the amount of deliveries they have made.

Mr. PETERS: What do the officials do all winter?

Mr. RIDDELL: It takes some time, Mr. Peters, to collect these reports. It takes possibly a month to collect reports in the field, from the time they start in the field until a township is completed and then it is required to come into our office, it is then processed and it will be another six weeks, at least.

When you get into the Peace River area you get into a late harvest, such as last fall when it rained all during September and the crop was not off until the end of October. We cannot do any inspection work until all the crop is harvested. Then you get into November, when there is one or two feet of snow, and so on, when we have a lot of difficulties. The farmers in the Peace River district go out to work in the oil fields in the wintertime and then we cannot get that township completed until we can contact that former and get his report. So, on this account, a lot of these payments are not made until February or March.

The CHAIRMAN: I would like to thank Mr. Riddell and Mr. Bird for being here, especially Mr. Riddell for waiting so long before he appeared before the Committee. If there are no other questions I think that we will have a motion cancelling tonight's meeting.

It is moved by Mr. Clermont and seconded by Mr. Peters.

Motion carried.

We will meet Tuesday morning at 9.30.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 21

Respecting

Estimates (1966-67) of the Department of Agriculture

TUESDAY, JUNE 28, 1966.

WITNESSES:

From the Department of Agriculture: Mr. H. C. Harry, Deputy Minister; Mr. M. J. Fitzgerald, Director, Prairie Farm Rehabilitation Administration; Dr. K. F. Wells, Veterinary Director General; Dr. W. A. Moynihan, Associate Director, Contagious Diseases Division; Dr. Julius Frank, Acting Director, Animal Pathology Division.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

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The Clerk of the House.

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ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24662—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Crossman,
Mr. Danforth,
Mr. Éthier,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Herridge,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*),
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. MacDonald (*Prince*),
Mr. Matte,
*Mr. McKinley,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

*Mr. McKinley replaced Mr. Madill Monday, June 27, 1966.

ORDERS OF REFERENCE

MONDAY, June 27, 1966.

Ordered,—That the name of Mr. McKinley be substituted for that of Mr. Madill on the Standing Committee on Agriculture, Forestry and Rural Development.

Ordered,—That the Standing Committee on Agriculture, Forestry and Rural Development, be authorized to sit while the House is sitting.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

24662—1½

MINUTES OF PROCEEDINGS

TUESDAY, June 28, 1966.
(26)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 9:50 o'clock a.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Danforth, Ethier, Faulkner, Forbes, Gauthier, Honey, Hopkins, Horner (*Acadia*), Jorgenson, Laverdière, Lefebvre, McKinley, Neveu, Rapp, Schreyer, Watson (*Assiniboia*), Whelan (17).

Also present: Messrs. McLellan, Pascoe and Southam.

In attendance: From the Department of Agriculture: Mr. S. C. Barry, Deputy Minister; Mr. M. J. Fitzgerald, Director P.F.R.A.; Mr. D. J. Thiessen, Associate Director of P.F.R.A.; Mr. J. S. Parker, Director General, Departmental Administration.

The Committee resumed consideration of the estimates of the Department of Agriculture for the fiscal year 1966-67, items 55 and 60.

The Chairman introduced the witnesses and after a short statement the members proceeded to the questioning of the witnesses.

Later it was *agreed* that if the Committee completed consideration of items 55 and 60 at the afternoon meeting, the Committee would go on to consider items 40 and 45, Health of Animals.

At 12:00 o'clock noon, the questioning of the witnesses continuing, the Chairman adjourned the meeting to 3:30 o'clock p.m. this day.

AFTERNOON MEETING
(27)

The Standing Committee on Agriculture, Forestry and Rural Development reconvened at 3:50 o'clock p.m. this day. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Comtois, Danforth, Forbes, Gauthier, Hopkins, Horner (*Acadia*), Jorgenson, Laverdière, Matte, Neveu, Noble, Rapp, Schreyer, Watson (*Assiniboia*), Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan (16).

Also present: Mr. McLellan, M.P.

In attendance: From the Department of Agriculture: The same as at the morning sitting, and also Dr. K. F. Wells, Veterinary Director General; Dr. W. A. Moynihan, Associate Director, Contagious Diseases Division; Dr. Julius

Frank, Acting Director, Animal Pathology Division; Dr. C. K. Hetherington, Director, Meat Inspection Division; Mr. R. D. MacMillan, Branch Administrative Officer, Health of Animals Branch.

The Committee resumed examination of the estimates of the Department of Agriculture for the fiscal year 1966-67, items 55 and 60,

Later on motion of Mr. Horner (*Acadia*), seconded by Mr. Forbes,

Agreed,—That the statement prepared by officials of the Department of Agriculture on items 55 and 60 of the estimates for the fiscal year 1966-67, be printed as an appendix to the Minutes of Proceedings and Evidence of this day. (*See Appendix I*)

The Committee completed examination of the officials of the Department of Agriculture on items 55 and 60 of the estimates. The Chairman and members of the Committee thanked the officials.

Agreed,—That items 55 and 60 of the estimates of the Department of Agriculture for the 1966-67 fiscal year carry.

The Chairman, as agreed at the morning sitting, called items 40 and 45 of the estimates of the Department of Agriculture for the 1966-67 fiscal year.

After the Chairman had introduced the Departmental officials, the members of the Committee proceeded to question them.

At 5:55 o'clock p.m., the questioning of the officials continuing, the Chairman adjourned the Committee to 8:00 o'clock p.m. this day.

EVENING SITTING

(28)

The Standing Committee on Agriculture, Forestry and Rural Development reconvened at 8:25 o'clock p.m. this day. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Comptois, Danforth, Ethier, Forbes, Grills, Hopkins, Horner (*Acadia*), Laverdière, McKinley, Matte, Neveu, Noble, Schreyer, Whelan, Yanakis (16).

Also present: Messrs. Cadieu (*Meadow Lake*), Horner (*The Battlefords*), LeBlanc (*Rimouski*), Loney, McLellan and Southam.

In attendance: *From the Department of Agriculture:* Mr. S. C. Barry, Deputy Minister; Mr. J. S. Parker, Director General, Departmental Administration; Dr. K. F. Wells, Veterinary Director General; Dr. W. A. Moynihan, Associate Director, Contagious Diseases Division; Dr. Julius Frank, Acting Director, Animal Pathology Division; Dr. C. K. Hetherington, Director, Meat Inspection Division; Dr. J. T. Annis, Assistant Director, Meat Inspection Division; Mr. R. D. MacMillan, Branch Administrative Officer, Health of Animals Branch.

The Committee resumed questioning on items 40 and 45 of the Department of Agriculture's estimates for the 1966-67 fiscal year.

At the request of Mr. Schreyer, it was agreed that the Departmental officials would supply the Committee with the information as to where the Department of Agriculture acquired its Charolais cattle.

On motion of Mr. Horner (*Acadia*), seconded by Mr. Matte,

Agreed,—That the Department statements prepared on items 40 and 45, *Health of Animals Branch* and on the *Importation of Cattle from Countries not traditionally Free of Foot-and-Mouth Disease* along with the letter and questionnaire sent to those wishing to import cattle from France, be printed as appendices to the Minutes of Proceedings and Evidence of this day. (*See Appendices II, III and IV*)

At 10:00 o'clock p.m., the questioning of the witnesses continuing, the Chairman adjourned the Committee to 9:30 o'clock a.m. on Thursday, June 30, 1966.

Michael B. Kirby,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, 28 June 1966.

● (9.48 a.m.)

The CHAIRMAN: Gentlemen, we will start the meeting. This morning we are going to discuss PFRA and we have with us Mr. M. J. Fitzgerald, Director of PFRA, Mr. S. C. Barry, Deputy Minister of the Department of Agriculutre; Mr. D. J. Thissen, Associate Director of PFRA, and Mr. J. S. Parker, Director-general, Departmental Administration.

Mr. Fitzgerald, if you wish to make a statement it is quite in order. I am advised that Mr. Fitzgerald will make a statement only if it was necessary; he thinks most members have some information on PFRA. I think probably we should immediately start with the questioning.

Mr. HORNER (*Acadia*): Mr. Chairman, with regard to the pasturing of cattle, have you had any complaints from ranchers not being able to get their cattle into PFRA pastures because your rates are too low and that in a sense it is cheaper to put cattle into a pasture than it is to buy land and own it yourself. Have ranchers complained at all to PFRA in this regard?

Mr. J. FITZGERALD (*Director of PFRA*): No, I cannot honestly say that we have had a complaint of this nature. I would say there has been a general feeling throughout the ranchers that our rates are possibly too low in relation to commercial rates.

Mr. HORNER (*Acadia*): I am thinking of the comparison to the price of land today which, for one reason or another, has gone up quite a bit. I have always felt that if all ranchers could put their cattle on PFRA pastures they would not have to have the return on their dollar for investment; it would be a cheaper operation all the way around, and I just wondered whether any complaints have been made.

Mr. FITZGERALD: No, I cannot say there have been any complaints made. We certainly have not had any briefs or that type of thing from any of the livestock associations.

Mr. HORNER (*Acadia*): What is the actual status of the pasture at Suffield, Alberta? Has the PFRA made any requests to the Department of National Defence that this once again be opened up.

Mr. FITZGERALD: There has been no further development from two years ago when the decision was made between the two departments, agriculture and national defence, that this particular area should revert back to national defence for research purposes. Of course, we still maintain the pasture there. We maintain the facilities but there is no stock in the pastures.

Mr. HORNER (*Acadia*): Now this decision was made jointly by the two departments. I am going to guess at the figure but I would say roughly $200,000 was spent by the federal government under PFRA in developing that area as a pasture. Now you say a decision was made to let it go back to defence purposes. It was used two years. Am I right?

Mr. FITZGERALD: Right.

Mr. HORNER (*Acadia*): Two years and there was a $200,000 expenditure. Are we not being a little bit careless with the taxpayers' money?

Mr. FITZGERALD: Well I think you would have to go back to the reason the area was fenced in the first place. It was to take care of an emergency situation in 1961 and the pasture was used again in 1962. Our agreement with the defence research board was that we would have the area as long as the emergency existed and after 1962 conditions were much more favourable, somewhat comparable to what they were in the late fifties; on this basis, national defence or the defence research board requested the area back. Now, I think the understanding is should an emergency ever arise again that area would be available for pasture purposes.

Mr. HORNER (*Acadia*): Well as to this question of the emergency, I think most farmers in western Canada and particularly in the southern part of Alberta, where it is pretty dry as a rule, think an emergency exists on most of those farms nearly every year. I think it is generally agreed by parliamentarians, whether they be in provincial governments or the federal government, that the agricultural industry requires assistance in order to maintain the farmers on the farms. We spend money here. I notice that something like $5 for every ewe is being spent by the federal government in the sheep industry. We see government after government helping the agricultural industry. Way back in 1961 and 1962 the federal government spent $200,000, just spent it, took the taxpayers' money and spent it and then left it to lie idle. Now, what other individual or what other industry can spend $200,000 and get no return on their investment for four years, absolutely no return on their investment. Do you not think once the government has made that initial investment it shoud be used and that somebody should be getting a return on that dollar. It is only sound business practice.

Mr. FITZGERALD: Well, I suppose I could answer Mr. Horner by saying that there is a great deal of tax money invested in the whole defence establishment there of which the ranges are a part and I suppose when the judgment was made they used some criteria as to which was more important, the range for livestock as opposed to the range for research.

Mr. HORNER (*Acadia*): I know the defence department is not here and they would perhaps have some logical reason why they need that range. But I think they made the statement in 1961 and 1962 that they could very easily get along without that range land and, in fact, with one movement of the cattle some time during the summer they could set off their 100 tons of dynamite or T.N.T., I think it was. And that is the only thing they do in that whole area. Did not the defence department in 1961 and 1962 say that they did not really need that piece of land?

Mr. FITZGERALD: That is right but I also think they restricted somewat the research they used that area for during 1961 and 1962.

Mr. HORNER (*Acadia*): Well I think if a person made a very close examination of their research since 1962 one would find that they have not used that land and really do not need it.

Mr. S. C. BARRY (*Deputy Minister, Department of Agriculture*): I do not think we are in a position to assess the need of the defence research board for that land. In the emergency in 1961, when it was quite evident that unless some extraordinary measures were taken to provide pasture facilities a number of people were going to be in real trouble, they then agreed to make this land available to us for a temporary period. Now, as I say, I am not able to asses their requirements for the total area but I suppose at some point when the station was originally established this was the area it was decided they required. It is true that a considerable capital investment was put into fencing and crossfencing the property. I think it was three years, actually we used it rather than two. I think it was in 1961, 1962 and 1963. But, as Mr. Fitzgerald has said, we feel this is now fenced and without being able to commit the defence research board in any way I think, it would be reasonable to assume should another emergency arise probably they would at that time make it available to us. Now it is true that $200,000 was spent on that emergency and, equally, I suppose the government has spent sums in other ways too in emergencies. Actually P.F.R.A. as such, and apart from Suffield. does not run any community pastures in Alberta. This is right is it not?

Mr. FITZGERALD: Yes.

Mr. BARRY: We run them only in Saskatchewan and Manitoba. Without being able to justfy it otherwise the position of the defence research board is this and I think it did serve a very useful purpose during those two or three years.

Mr. HORNER (*Acadia*): Oh, I think it did.

Mr. BARRY: I agree that the people there probably have a continuing need for pasture, the smaller farmers particularly, but that is the situation as it stands at the moment, Mr. Horner.

Mr. HORNER (*Acadia*): True, but I am a little disappointed in the PFRA. Now, I can understand the defence department jealously hanging on to every acre of land they can because farmers every once in a while utter the wish that they were right out of there completely. Well I do not make any such statement. I think the defence research at Suffield has played an important part in our defence department and I have nothing against them. However, they have curtailed over the years—they used to have an entomology section there and everything else—their experiments and I think can quite feasibly operate without this land. All I want the PFRA department to do is to say we have made the expenditure and we think we should be able to use it every year, or part of it every year; in other words I just do not want you to be so agreeable with the defence department. I want you to go to bat for the farmers because we put the $200,000 investment in there and we should try and get a return on it.

Mr. BARRY: Well the decision has to be made whether the defence research board in fact needs that land on a continuing basis. This, as I say, I am not able to assess.

Mr. HORNER (*Acadia*): But you people are to serve the agricultural industry not the defence department, and I just want you not to be so agreeable with the defence department. Do a little wagering for the agricultural industry because we, and particularly the agriculture industry in that part of Alberta, needs all the assistance it can get. So, why let $200,000 lie idle.

Mr. BARRY: Well, I would just like to say we did do a bit of wagering to get for the additional year.

Mr. HORNER (*Acadia*): I have no further questions right now, Mr. Chairman, on that but I have others.

Mr. RAPP: Mr. Chairman, in the northern part of Saskatchewan the farmers are in grave need of community pastures and there seems to be areas available that could be developed into community pastures. Has PFRA undertaken any steps to open up more community pastures in that particular area.

Mr. FITZGERALD: You are speaking now of northern Saskatchewan generally?

Mr. RAPP: Yes, northern Saskatchewan.

Mr. FITZGERALD: No, we have not. As you know we do not construct pastures unless the province asks us to do so and provides us with the land. The last large pasture we constructed in the northern part of Saskatchewan was finished in 1963. We have not done any work in northern Saskatchewan since that time.

Mr. RAPP: This peraps depends on the provincial government, but some municipalities in our area out there, have applied, through the provincial government perhaps, to open up some of these areas. From personal experience, I know there are many uncultivated areas that could be developed into community pastures. Is it then the responsibility of the provincial government to recommend to the federal government that some of these areas should be opened up for community pastures?

Mr. FITZGERALD: Yes, Mr. Rapp, under the PFRA program the province must provide us with the land. We finance the capital cost of the construction of the fences, buildings and water supply but the land must be leased to us from the province. Now in that particular area, of course, there have been several small pastures opened under the ARDA program.

Mr. RAPP: Very few, very few.

Mr. FITZGERALD: Very few but generally rather small ones, perhaps from 2500 to 4000 acres.

Mr. RAPP: Well the situation out there is that even though some of the farmers have small holdings they would sooner put it under crop since the profit for grain is much better than it was perhaps three or four years ago. At the same time they know there are available areas that could be used, by these farmers that have all their land under cultivation, for community pastures, thus allowing all the farmers to go into mixed farming. They are very interested, but

if the provincial government does not heed the pleas of these farmers, then it is useless for me to talk about this matter.

Mr. JORGENSON: Mr. Chairman, does PFRA do extensive surveys on land that might be made available for PFRA pastures. I was wondering if you have a land inventory of the prairie provinces and, if so, have you an idea how much more land within the provinces could come under the pasture organization.

Mr. FITZGERALD: Well, we try to have a continuing study of this particular problem. First of all, we know generally how much crown provincial land is available which is marginal and might be made available to PFRA for the construction of community pastures and, secondly, we try to assess how much so-called marginal land which is now in cereal production might be put to better use were it seeded to grass. Mr. Jorgenson, I do not have any figures on this. At one time we calculated—this was back three or four years ago—that there was something of the order, of six million acres of land in Saskatchewan that was either owned by the province or submarginal land for a cereal program that was eligible year after year for PFAA payments and this type of thing, that we though could be put to a better use if it were put into grass for grazing. I do not have any comparable figures for Manitoba.

Mr. JORGENSON: I was just going to ask you if you had any comparable figures for Manitoba. The rental fee on the pastures includes a 1 per cent levy which is used as a grant to the rural municipalities in which the pastures are located in lieu of taxes designed to compensate the municipalities in some measure for the construction of roads and drainage facilities leading to the pasture. What happens in the case of pastures that are located in unorganized areas? In the rural municipality I understand the money is specifically earmarked for this purpose. I know in my constituency, with regard to pasture, the money is simply tossed into the general revenue and is not specifically earmarked for the pasture, and the pasture manager as well as the resident engineer in that area are somewhat perturbed about it because they felt this money should be earmarked for that specific purpose. I wonder if there was a letter accompanying the cheque to the local government district administrator telling him that this money was specifically earmarked for this purpose, or if there was some way in which you could make sure it was earmarked for that purpose rather than put in with the general revenues in the unorganized areas.

Mr. FITZGERALD: Well, certainly we do not make it a condition that the money which accrues to the municipality as a result of this 1 per cent levy is spent on roads for example, adjoining the pasture, we just take it for granted that once we pay the so-called tax to the municipality it will be spent in the areas in which the pasture is located.

Mr. JORGENSON: I think this is true in the cases of those areas that are located in organized municipalities. This is not true, however, in the case of unorganized areas. Then there is usually a lot of squabbling going on in those areas as to where those moneys are going to be spent. I do know that the resident engineer in the area, as well as the pasture manager would much prefer that the money be specifically earmarked for that purpose because there are a number of complaints that the roads leading to the pasture areas are

never in such a condition that the patrons of the pasture are able to use them. In many cases you will find in the unorganized areas were it not for the pasture the road would not be there at all. This is not, of course, the case in an organized municipality. So, there is a difference and there is a particular problem as it relates to the pastures located in unorganized areas, and I wonder if something could not be done to make sure that the moneys that are allocated for these purposes are designated specifically for roads leading to the pastures.

Mr. FITZGERALD: As I mentioned, Mr. Jorgenson, I think it was our understanding that the money would be spent on the roads and crossings adjacent to the pasture that were used by the patrons of the pasture. I do not think we could make it a condition that the 1 cent per day per head be spent this way. We just assume that it will be spent this way.

The CHAIRMAN: There is nothing in the act then, Mr. Fitzgerald?

Mr. FITZGERALD: It just goes into general tax revenue, I suppose.

Mr. JORGENSON: That is exactly what is happening; it is being spent elsewhere. You have the situation where the patrons of the pasture are up in arms because the roads leading to the Gardenton pasture are in such condition that they are not able to get to the pasture at certain times of the year. The engineer would like very much to do something about it but he does not have the funds available to do so because the moneys that are coming in as a result of the levy are being used elsewhere.

Mr. BARRY: I think we might look into that specifically as it relates to the Gardenton pasture, Mr. Jorgenson.

Mr. JORGENSON: I would appreciate it very much if you would.

Mr. WATSON (*Assiniboia*): Mr. Chairman, I have a question regarding the co-operation between P.F.R.A. and ARDA. The main reason for asking this question is that I believe there are 87 community pastures now in the western provinces controlled by P.F.R.A. and I believe a year ago the ARDA program instigated a pasture up in the Last Mountain Lake area adjacent to an existing P.F.R.A. pasture. I just wondered what the co-operation is between the two different programs, and after these pastures are started by ARDA will they eventually come under the P.F.R.A. program which has had the experience over a good many years of running these pastures. Just what is the reason for two different organizations running community pastures in the same area.

Mr. FITZGERALD: Well, on the surface it is hard to justify Mr. Watson, but you must remember that under the ARDA program the provinces have the responsibility for operating the pastures. Usually this is done by the formation of a small co-operative amongst perhaps a dozen farmers. They are the managers of the pasture. Now, to date these pastures have been very small, so small that they do not require a full time manager. So the essential difference between an ARDA pasture and a P.F.R.A. pasture is in the question of size. I realize that in this particular area you are thinking of the ARDA—Nokomis pasture will come right up against the Last Mountain P.F.R.A. pasture. We could have incorporated the whole area into one pasture but the province made the decision that they would rather establish and operate this particular pasture they are now building themselves rather than turn it over to us.

Mr. LEFEBVRE: A supplementary, Mr. Chairman.

The CHAIRMAN: I would rather you wait, Mr. Lefebvre, until Mr. Watson is finished.

Mr. WATSON (*Assiniboia*): But would this not be a real duplication of services? What is the provincial thinking in getting into this particular case when it could be incorporated with the P.F.R.A. pasture which is right alongside.

Mr. FITZGERALD: It is in a sense somewhat of a duplication, I think. Mind you, this particular pasture you speak of, the provincial ARDA pasture, is also going to be used as a wildlife preserve. That may not in itself justify their building a separate pasture but this is an area where there is bound to be some duplication.

Mr. WATSON (*Assiniboia*): You mention a wildlife preserve. Are not all community pastures game preserves?

Mr. FITZGERALD: Game preserves, yes, but not wildlife preserves in the sense that there is a controlled program for wildlife. There is only a certain number of cattle allowed per acre in the interests of the wildlife. All our pastures are game preserves.

Mr. BARRY: I wonder if I might interject here with a matter which I am sure all members know but which I think might be useful in clarifying the situation. The situation with respect to community pastures has been different in each of the three prairie provinces. Alberta always has operated its own pastures. Apart from Suffield there have been no P.F.R.A. pastures in Alberta. Manitoba has been the complete reverse. The provincial government—I think I am right in this, Mr. Fitzgerald—has not operated any community pastures on its own. They have all been P.F.R.A. pastures. This has been a deliberate policy of the two governments. Saskatchewan has been a mixture. We have had P.F.R.A. pastures in Saskatchewan and Saskatchewan too, for some time has operated small community pastures. Now the ARDA pastures, as I understand it, or the pastures which are being developed now under the ARDA agreement in Saskatchewan, are just really an extension of the smaller pastures which Saskatchewan historically has operated itself. This is right, Mr. Fitzgerald, is it not?

Mr. FITZGERALD: That is right.

Mr. BARRY: So, there is a different circumstance in each of the three prairie provinces. The particular one you mention is an oddity in that they adjoin but it is no change in basic principle from what has been followed for some time except that now the federal government through ARDA is contributing to the cost of the smaller provincial pastures which in the past the province carried itself.

Mr. WATSON (*Assiniboia*): I have another question on pastures and this pertains to the use of artificial insemination. Where does this policy originate? Is it in the local offices in Regina, in the other provinces, if they are concerned, or does it originate in Ottawa with the top officials of P.F.R.A.?

Mr. FITZGERALD: I must confess, Mr. Watson, that I think our artificial insemination program was introduced on the basis that it was something the farmers, the patrons of the pasture, would want and it was not until just recently that we discovered, when we tried to introduce artificial insemination in the Wellington pasture, I think it was, that many of the farmers were opposed to it. So we have usually struck a policy that we would not introduce it unless the majority of patrons wanted it. In that particular pasture I think 48 per cent were for it and 52 per cent were against it, so we do not have artificial insemination in that particular pasture. Unfortunately the pasture is not large enough to have both artificial and natural breeding. There are some economics to artificial insemination which dictate that you must have so many cattle to breed before it becomes a profitable type of thing. So the result is that in that particular pasture we have gone with the wishes of the patrons and we do not have an artificial insemination program.

Mr. WATSON (*Assiniboia*): Is it not true that with regard to one of the pastures the pasture committees had voted against the use of artificial insemination and later on the department was going to introduce it regardless of the wishes of the pasture board?

Mr. FITZGERALD: I think that is the pasture I am referring to. We reversed our stand on that as soon as we got the vote in from all of the patrons. The policy in future will be if the majority of patrons do not wish to have artificial insemination we will provide natural breeding.

Mr. WATSON (*Assiniboia*): In the pastures that have had artificial insemination what has been the percentage of calf drops?

Mr. FITZGERALD: Well, I am not too sure. I cannot quote you a figure, Mr. Watson, but the conception rate on artificial insemination has been below that of natural breeding. One of the reasons some farmers or patrons complain about it is that sometimes cows have to be bred two or three times before they conceive. Personally I am all for artificial insemination inasmuch as it permits us to use the very best semen you can buy from the very best bulls there are, whereas in natural breeding we buy a good bull but it is a utility bull and not necessarily from purebred stock.

Mr. WATSON (*Assiniboia*): Is it true the rate of conception with AI in some of the large community pastures gets down as low as 30 per cent?

Mr. FITZGERALD: Oh, I do not think so, no. You see under natural breeding conditions, the conception rate is around 80 to 85 per cent and I have never heard of AI going that low.

Mr. WATSON (*Assiniboia*): What is this percentage? Could you tell me that?

Mr. FITZGERALD: It is somewhat less than 80 per cent.

Mr. WATSON (*Assiniboia*): It is about 80 per cent with the use of bulls, is it not?

Mr. FITZGERALD: It is about 80 to 85 per cent with the use of bulls and it is somewhat below that; I would guess maybe between 65 and 75 per cent with artificial insemination.

Mr. HORNER (*Acadia*): Just a supplementary, Mr. Fitzgerald, I am sure you made a slip of the tongue. You use purebred stock, do you not?

Mr. FITZGERALD: Yes, we do.

Mr. HORNER (*Acadia*): You said sometimes they are not purebred or, at least, you left the impression that sometimes they are not purebred.

Mr. FITZGERALD: Oh no, I'm sorry; they are purebred stock but they are not as good a stock as we would have available through the artificial insemination program.

Mr. WATSON (*Assiniboia*): Do I understand then that the use of AI will not be introduced in any pastures until a vote of the patrons has been taken?

Mr. FITZGERALD: That is right, Mr. Watson. That is now our policy.

Mr. WATSON (*Assiniboia*): Will it be explained to the patrons ahead of time that the percentage of conception is not as good with AI as it is with natural breeding?

Mr. FITZGERALD: Well, I think we would advise the pasture committee about the pros and cons of artificial insemination as opposed to natural breeding before we have the vote so that they are aware of the advantages and disadvantages of both types.

Mr. LEFEBVRE: Mr. Watson, Mr. Chairman, brought out a point about the conflict or otherwise between P.F.R.A. and ARDA in certain parts of the western provinces. Is there a study being made now or will a study be made, perhaps, on whether, in some places, ARDA or P.F.R.A. should be phased out and the other take over so that you do not get this overlapping of services that apparently is taking place now.

Mr. BARRY: I do not know that we would necessarily regard it, sir, as an overlapping of services. The extent to which PFRA pastures versus provincial pastures are used varies in the three western provinces. Dealing specifically with Saskatchewan, the province has for some time operated small community pastures. The tendency has been for the provinces to operate the smaller ones and P.F.R.A. to operate the larger ones. The provincial pastures are often managed by a local group of farmers who use it. I think we would tend to regard the ARDA participation in community pastures rather as an acceleration of the provincial pasture program and not necessarily in conflict with the P.F.R.A. pasture program. I think that would be about the view, Mr. Fitzgerald, would it not?

Mr. FITZGERALD: I think so.

Mr. LEFEBVRE: How close would your liaison be between, say, the ARDA program on the one hand andd PFRA on the other. Is ARDA benefitting from the experience learned by PFRA which has been in business for so many years?

Mr. FITZGERALD: In the western region we are housed in the same building. ARDA use my officers to examine some of the provincial proposals and I would say that the communication between the two is very, very close. We know exactly what ARDA is doing all the time and vice versa.

Mr. LEFEBVRE: Is there a need for both in these provinces though, where you already have PFRA which has all these years of experience?

Mr. FITZGERALD: I think I ought to put that into another context. There has always been a PFRA program in the prairie area of western Canada. The federal government has always accepted that they have a special responsibility particularly with respect to water developments and even though ARDA has been introduced I still think there will be a continuing need for a PFRA type of organization to discharge what I might call the federal government's special responsibility for more development generally in this very arid area. I see no conflict really between the two. I think the provinces will tend to seek advice and assistance from PFRA for certain projects, certainly certain of the larger projects that require sophisticated engineering services and for certain of the other, shall I say, smaller types of water development projects, small types of community pasture projects, the province would probably go to ARDA for those.

Mr. LEFEBVRE: I have just one more question, Mr. Chairman. Do the eastern provinces have meetings with your officers to gain experience from them in establishing ARDA programs in the east?

Mr. FITZGERALD: No.

Mr. LEFEBVRE: Is there any way that the ARDA programs in the eastern provinces can gain from the experience that you people already have?

Mr. FITZGERALD: Well, I would say only if we were a national organization and then our expertise would then be available.

Mr. LEFEBVRE: Between the eastern provinces and the PFRA, as it is now?

Mr. BARRY: If you do not mind, Mr. Fitzgerald I might just make one little qualification there. ARDA's actual operation encompasses a wide range of activities, wider than pasture development and, indeed, wider than water development. I am thinking of Nova Scotia where an ARDA pasture was developed with the province and where I think they did call for some help and guidance from PFRA with respect to the management of the pasture. This is the kind of thing I take it, Mr. Lefebvre, you have in mind.

Mr. LEFEBVRE: Yes, this is what I have in mind. You are there to help them if the provinces make their request.

Mr. BARRY: This has been done in the maritimes.

Mr. FORBES: Mr. Chairman, my question has to do with the carrying capacity of the pastures. Probably I could cite an instance. In the Dauphin area we have two community pastures, one I think is called Duck Mountain and the other, Dauphin Ethelbert. Both of these pastures are heavily covered with bush, and even the natural pasture that is there is not of too high a quality. I was wondering if you people were considering scrubbing a large part of these two pastures to increase the carrying capacity of the pastures and also improve the quality of the pastures. I observe that you had done some scrubbing with this ball and chain idea and you know that when everything has left there it would not be safe for a cat to crawl through there far less cattle. It was splintered and partly knocked over and an awful looking mess. Had you followed that up with a bulldozer and blade and got it in shape to seed down I think it would have amounted to something. However, it was only a small area done in this way and

it was an effort to increase the pasture, although a very poor effort. I was wondering if you are giving any further consideration to improving the pasture or what you are doing about it.

Mr. FITZGERALD: Well, Mr. Forbes we have a pasture improvement program and we spend so much money every year trying to develop existing pastures. In the bush areas, as you mentioned—and I think you are referring to the Ethelbert pasture now?

Mr. FORBES: Yes that is the one where some scrubbing was done.

Mr. FITZGERALD: It may have been in a rather sad condition when you saw it. That is a four year type of program, you know. We break bush the first year. We let it rot the second year. We burn some time the second or third year, spray and then reseed. So maybe it was in the first or second year stage when you saw it. Our pasture improvements program, to be more specific, does include clearing bush pastures and seeding them to grass. This is a long term program and we do not make too much headway year by year, particularly in that area there where the demand for grass is not as great as it is in the southwest part of Saskatchewan, for example, where we spend most of our money for pasture improvement.

Mr. FORBES: Well there would be a greater demand in my area for the use of this community pasture if there was a better quality grass, and something done about the carrying capacity. I put cattle on both those pastures and I withdrew from them. I had some wild land of my own and I hired an outfit to spray it and kill the bush in this way. After you get rid of the leaves the grass will grow up. I did that rather than use those pastures. I think there is a great potential for the use of those pastures in that area if only you would proceed to get rid of some of the brush, improve the carrying capacity and improve the quality of the grass. This is important.

Mr. LAVERDIÈRE: Is it possible, for example, that some projects from the province of Quebec or Ontario could be submitted to P.F.R.A? Is it restricted to the western provinces?

Mr. FITZGERALD: Yes; our legislation confines us to the three prairie provinces. It is true that under special agreement we have done certain projects in British Columbia.

Mr. LAVERDIÈRE: You do not have any projects that have been submitted for water conservation in Quebec, for example, in Ontario or in other provinces?

Mr. BARRY: Not under P.F.R.A. sir. A project of that nature in the east would come under ARDA.

Mr. FORBES: Something came to my mind very rapidly. What are you doing about insurance coverage on cattle in those pastures. Again, I had a similar experience where I lost a number of head there and I did not recover very much by way of compensation for the losses. I was wondering if this has been improved in the last year or two or if it could be improved in a manner which would be acceptable to the patrons?

Mr. FITZGERALD: Well the matter of insurance, Mr. Forbes, is purely up to the local people. I think last year 49 of the 86 pastures carried a mutual type of

insurance. We do not insist on this. We encourage them to take out insurance, but they decide, by vote of the patrons themselves, whether they get a contract with a mutual company for insurance coverage for their animals. It is not a condition, so far as we are concerned, that they have this insurance.

Mr. HORNER (*Acadia*): With regard to pastures, Mr. Fitzgerald, how does the P.F.R.A. stand? Are you breaking even, losing money or do you have a financial statement on each pasture? I would just like an overall statement.

Mr. FITZGERALD: Last grazing season, Mr. Horner, we made, I think, something like $60,000 on the overall operation. We charge to the pasture all direct expenses, the pasture manager's wages and salary and any improvements we might do on that pasture. But through the whole system our rate is established on the basis that we will cover all direct expenditures we make every year. This excludes, of course, any return on our money that is invested. It does not include that particular expense.

Mr. HORNER (*Acadia*): You do not charge in the cost of money?

Mr. FITZGERALD: That is right.

Mr. HORNER (*Acadia*): This is a very interesting point because we see ARDA moving into the agricultural industry and setting up farms. From a bookkeeping point of view I want to know whether those farms are going to be profitable. Here we have P.F.R.A. already in the pasture business. With the ordinary bookkeeping arrangement on a farm, would not the farmer have to charge in the cost of money?

Mr. FITZGERALD: That is right.

Mr. HORNER (*Acadia*): But you people do not. Is there a specific reason why you do not?

Mr. FITZGERALD: The only answer I can give, Mr. Horner, is that the policy has been for the government to provide the money to establish a pasture and from there on charge a rate which would take care of the direct expenses which are involved in the year to year operations.

Mr. HORNER (*Acadia*): In other words if a farmer or rancher can put his cattle into a P.F.R.A. pasture, he is actually being subsidized to some extent. Would you agree with that?

Mr. FITZGERALD: I agree with that.

Mr. BARRY: I have one figure here that would be illustrative of the position. In the last year that I have, 1964-65, the operating costs in all pastures was $1,396,000 and our revenue, excluding the 1 cent levy, was $1,460,000 which left a surplus over operating costs of some $64,000, as Mr. Fitzgerald said.

Mr. HORNER (*Acadia*): The land in most cases is given to P.F.R.A. by the province, am I right in that?

Mr. FITZGERALD: Leased to P.F.R.A.

Mr. HORNER (*Acadia*): Leased and actually there is no initial cost to P.F.R.A?

Mr. FITZGERALD: That is right.

Mr. HORNER (*Acadia*): Therefore, in your accounting system no initial charge is made for the purchase of land or anything like this, no capital outlay. So with today's land prices we might assume it is quite a subsidization. Why has Alberta not allowed you people to develop or to subsidize the agricultural industry in Alberta particularly? Is there any specific reason why we have not seen the growth of community pastures in Alberta?

Mr. FITZGERALD: I have not an answer to that, Mr. Horner. From reading the files, I know when the program first started, Saskatchewan and Manitoba signed the agreement with Canada for the development of pastures in their provinces, but there is evidence that there was plenty of range in Alberta at the time—I am going back now to 30 years ago— and they saw no need at that time for the federal government to come in and establish pastures there. Before that time Alberta had their own provincial community pasture program and I think rather than seek assistance from P.F.R.A. over the years they went along and developed their own provincial program.

Mr. HORNER (*Acadia*): I know for a fact a number of years ago P.F.R.A. did make overtures towards the Alberta government to try to set up community pastures in the province. We have seen the growth of some 67 pastures in Saskatchewan, some 20 in Manitoba and I think you will agree that these pastures to some degree are subsidized and are aiding the agricultural industry in both those provinces. I am just asking why have we not seen the growth in Alberta? I think the farmers there are every bit as entitled to a little bit of assistance. Certainly we are not all that wealthy that we would just turn it away. At least I would like to think we are not in Alberta.

Mr. FORBES: Mr. Chairman, could I offer a comment on that. I do not agree with Mr. Horner that the patrons of the community pasture are being subsidized at all.

Mr. HORNER (*Acadia*): Well, Mr. Fitzgerald agreed with me.

Mr. FORBES: Well, I do not care what he thinks. The fact of the matter is that practically all land on which community pasture is located is a very low value land, submarginal land. Most of it could have been bought a few years ago for $1 an acre and in some cases where the provinces have to acquire certain sections and so on they paid $3, $4, or $5 an acre, and very seldom would it go above that. It is a good idea to take this land out of farming because someone is liable to go in there and try and make a success of raising grain when the land is not adaptable to that at all. But it is serving a most useful purpose as pasture. So I would suggest that when a farmer is paying 6 cents a day for his cattle which runs about $6 or $7 a head for the season that he is not being subsidized by anybody. He is paying his way. I could go on and elaborate to prove that to you by my own experience, but I would not bother to do it.

The CHAIRMAN: Mr. Forbes, if I may make a comment—maybe I should not—I would think what Mr. Horner meant was that the farmer in the province which participated in this program was at a greater advantage than the farmer in a province that did not participate in this program. Is that not what you meant, Mr. Horner?

Mr. HORNER (*Acadia*): I have nothing against P.F.R.A. pastures. I just want to see them move into Alberta. Mr. Forbes can say subsidized or not subsidized;

that does not matter. I know a little bit about running cattle and any time somebody will put my cows to pasture for $1.80 a month he can have the whole herd, and he can fence them in and look after them. That is cheaper than I can run them and pay taxes on my own farm and ranch in a very wealthy province where taxes are just too high.

Mr. FORBES: I was going on information Mr. Horner gave me himself a couple of years ago, that he required about 25 acres to pasture a cow and I think he paid 15 cents an acre rent. I was assuming from that he got pretty cheap pasture.

Mr. HORNER (*Acadia*): There is lots of submarginal land in the province of Alberta, I am sure you are aware of this Mr. Fitzgerald. I would like to know why P.F.R.A. have not moved into the province of Alberta with community pastures. That is all.

Mr. FITZGERALD: Well, Mr. Horner, Alberta is eligible for the program. All they have to do so is sign an agreement with us.

Mr. HORNER (*Acadia*): But they will not.

Mr. FITZGERALD: Apparently they do not want to.

Mr. HORNER (*Acadia*): They do not want to. Anyone could say they do not feel the farmers in that province need a little assistance.

Mr. WATSON (*Assiniboia*): Mr. Chairman, on this point Mr. Horner has brought up about farmers who use the P.F.R.A. pastures being subsidized. I do not think that I can agree with this. It was previously mentioned, that the province turned all the land over to P.F.R.A., but before the province got hold of it the local municipalities concerned with these pastures had to acquire this land and turn it over free to the provincial government. Is this not the set up? Actually, the patrons of the municipalities shuffled farmers around, got title to the land and, in turn, turned over a title to the provincial government. So, the very patrons that are using it are residents of municipalities which turned it over debt free to the provincial government?

Mr. FITZGERALD: That certainly applies in the southwestern and south central part of Saskatchewan.

Mr. WATSON (*Assiniboia*): Is that not true for all of Saskatchewan?

Mr. FITZGERALD: No. I think in the northern parts the land was Crown provincial land, to start with, which was turned over to us as Crown land. There are many areas in the south where P.F.R.A. even purchased land in the early days to enlarge pastures. But I would say since the war, we have not purchased any land, the land we get for this pasture is given to us on lease by the provincial government. I think now, most of it, certainly in the north, is and always has been provincial Crown land. Now, as you mentioned, Mr. Watson, in your area, I think much of that land went back to the municipalities in the thirties for taxes and eventually got into provincial hands, and was transferred to P.F.R.A.

Mr. WATSON (*Assiniboia*): Well, would you say it was fair that the municipalities there turned this over free to the government when in other areas the land was purchased, possibly even in certain areas to start with. I am

thinking particularly right now of the Caledonia-Elmsthorpe pasture. Now I know the municipality there turned over a good portion of that land to the government. I am not aware that any of it was ever purchased.

Mr. HORNER (*Acadia*): I am not going to debate the question of how much the subsidization is but you know, Mr. Fitzgerald, and I know, whether you lease the land or own the land, that it costs somewhere between $300 and $600 to buy enough land on which to pasture one cow. If you just figure out the interest on that money alone you can see where it is going to run you into quite a little bit. This amount alone is subsidized, plus the interest or the cost of money for the development you say you do not charge. That alone is quite a subsidization and if anybody wants to doubt it just go out and try to buy some land to run cattle on.

Mr. FORBES: I do not know what area you are talking about. The problem might be a little different in other areas.

Mr. HORNER (*Acadia*): If you can get any land for $1 an acre that will run cattle, you buy it because it is a good investment.

Mr. FORBES: I have.

Mr. HORNER (*Acadia*): Has the P.F.R.A. any stipulation with regard to the area of a province in which they may do some work. I understand that ARDA is now directing its taking aid only to areas where the wage average is less than $3,000 and the farm gross is under $4,000 a year. I understand this is one of the criteria the area must fall under before it can be considered for an ARDA project which, in my estimation, is a terrible thing. Is there anything like this under P.F.R.A.

Mr. FITZGERALD: No, there is not.

Mr. HORNER (*Acadia*): Are you aware of ARDA using that as a criteria in the western provinces.

Mr. FITZGERALD: I am generally aware of this, yes.

Mr. HORNER (*Acadia*): Using that as a criteria, do you find many projects because they cannot qualify for ARDA are then turning toward P.F.R.A.?

Mr. FITZGERALD: No. First of all, I think there is some confusion here, Mr. Horner. The ARDA program applies to anywhere in the province. The provinces, however, have designated certain areas.

Mr. HORNER (*Acadia*): It is the provinces which have designated these areas?

Mr. FITZGERALD: Yes, Obviously these are the poorer areas of the province and it is only natural that they would perhaps have priority for ARDA projects in those areas. But let me emphisize that here again this is a question of the reponsibility of the province to put forward projects for these areas and not the federal government.

Mr. HORNER (*Acadia*): Yes I realize the initiative must be with the provinces. We have in Alberta an area called a special area. I am sure you have heard of it. I want to say right at the outset that P.F.R.A. has done a tremendous job in this area ever since its inception. Without P.F.R.A. these special areas

would have been greatly handicapped over the years. However, the odd part about it is that P.F.R.A. has played an important part in this area but ARDA is excluded and you say it is because of the province. This is really surprising. I know maybe I am just a little out of your area in dealing with ARDA but I want to come back to P.F.R.A. Are you certain as an actual fact that the area in which ARDA can qualify is left up to the province?

Mr. FITZGERALD: Yes sir; inasmuch as the province has to initiate the project, it is their priority then to select whatever area they want.

Mr. HORNER (*Acadia*): Do you consider P.F.R.A. projects from an overall basis; in other words, you have here in this statement, conservation storage of water to serve a community. I want to ask you what do you mean by the word "community". The is on page two about halway down.

Mr. FITZGERALD: This is a rather hard term to define but really we mean agriculture community.

Mr. HORNER (*Acadia*): Agriculture community is what you are referring to?

Mr. FITZGERALD: Yes. One of our dilemmas at the moment is that when we build one of these projects we must justify it in terms of agricultural benefits. Frequently we are asked to do projects that will benefit a town as well as agriculture communities. Sometimes it is very difficult to justify the project solely in terms of the agriculture community but relatively easy to justify it if it is in terms of the benefits to the urban people.

The CHAIRMAN: Could I interject. Are you on the next item on the list here?

Mr. HORNER (*Acadia*): I somehow seem to get onto water conservation, Mr. Chairman. If you want to continue on pastures that is fine with me. I will hold my questions.

The CHAIRMAN: I see there are several other members who have indicated they have questions; I do not know what they are. Mr. McLelland has a question; Mr. Schreyer has a question, and Mr. Forbes intimated he had another question too.

Mr. MCLELLAND: I would like to ask Mr. Fitzgerald a question on community pastures. This has to do specifically with the Elbow community pasture which I think I have been connected with for 30 years. When the land was taken in by the P.F.R.A. in 1938 from the old original Elbow community pasture, there was a certain amount of land. With the building of the South Saskatchewan River dam, of course, some land was taken away. Now is this land, which I understand they are going to use for a park area, automatically given back to the province.

Mr. FITZGERALD: That is right, yes, with one condition, that the province endeavour to provide us with that many acres some place else so that there will not be any loss in acreage in community pasture in the area.

Mr. MCLELLAND: That area, or a lot of it, has been reseeded and so on. Does the province pay the PFRA anything for improvements?

Mr. FITZGERALD: No they do not.

Mr. MCLELLAND: I have just one more quick question on artificial insemination. If that area accepted AI would the patrons be consulted as to what breeds of livestock they would use?

Mr. FITZGERALD: Yes, the patrons have the right, if they accept artificial insemination, through their advisory committee, which is made up of farmers in the area, to tell us from what breeds of livestock they wish to use semen.

Mr. MCLELLAND: Are the qualifications necessary to become a pasture patron revised every year or every two or three years? One of the qualifications they had a while ago pertained to the distance from the area. Actually they drew a round circle and the farmers inside that circle become a patron. That meant that an awful lot of people who had supported these pastures and kept them going for years were automatically cut out. The other ones that were outside too were just eliminated. In some cases they were allowed 24 head but I was allowed only three. Now, my family were patrons for 45 years. Is there any way that we can become a patron again after being eliminated for a couple of years.

Mr. FITZGERALD: No, I am afraid not, Mr. McLelland, unless we enlarge the pasture and, therefore, enlarge the circle, or some of the other patrons dropped out. We have picked up some of the patrons we had to drop three or four years ago because certain other patrons have gone out of cattle. Those that were dropped have first priority but your chances of getting back in are very, very slim.

Mr. MCLELLAND: There is no chance of them coming up with a new scheme? I think it has been brought to their attention several times that people inside that circle they made had to go to feedlots and stockyards and purchase cattle in order to have enough cattle to fill their quota. Well that is not at all what it was brought out for years ago. It was just so a person could put a few head of cattle in when they did not have pasture at home. But when they start to make ranches out of PFRA pastures I do not think it is a very good thing.

Mr. SCHREYER: Mr. Chairman, with the entry of ARDA into pasture development the likehood of P.F.R.A. opening up new pastures or enlarging existing pastures is extremely remote. Would this be a fair assessment of the situation.

Mr. FITZGERALD: I think you are probably right. It certainly will have the effect of having a smaller demand on P.F.R.A. for the construction of pastures. There is possibly one exception here; inasmuch as we mentioned before, we only build a pasture when the province provides us with land. The tendency might be to establish more pastures in a bush area, the northern part of the prairie provinces, Saskatchewan and Manitoba.

Mr. SCHREYER: I have one further question, Mr. Chairman. In all that part of Manitoba east of the Red there is not one P.F.R.A. pasture. Is that correct?

Mr. FITZGERALD: No.

Mr. SCHREYER: Well there are some new ARDA pastures.

Mr. FITZGERALD: We have two community pastures, the one at Gardenton and the one at Rosa, both east of the Red.

Mr. SCHREYER: Under ARDA or under P.F.R.A.?

Mr. FITZGERALD: No, under P.F.R.A.

The CHAIRMAN: Mr. Forbes, do you have a supplementary?

Mr. FORBES: I wanted to ask Mr. Fitzgerald if he could give us any idea of the cost of spraying the bush in these pastures, and what results did he get?

Mr. FITZGERALD: No, I do not have any figure just for spraying. For knocking down, spraying, and reseeding our cost runs about $16 an acre. It is higher in some areas because of the more dense tree growth. That is about an average figure, I think, for the particular area you are thinking of.

Mr. SOUTHAM: I am very glad to see Mr. Fitzgerald all the way down here from the province of Saskatchewan to meet our committee. I only have one or two short questions. My inquiry is based on the expanding demand for community pastures in Saskatchewan; I am referring now to representations which have been made to me and, I think, to the Department of Indian Affairs regarding some of the grazing land adjacent to the White Bear Indian Reserve. I am informed some consideration is being given to increasing grazing areas in that area with respect to enhancing both the Indians' economy and the farmers' economy living in that area. Have you had any representations made to you in that respect in Saskatchewan regarding this particular area in and around the White Bear Indian reserve?

Mr. FITZGERALD: I do not think we have in connection with that specific reserve. We have had many requests from other reserves in Saskatchewan and Alberta and we are quite prepared to co-operate with the Department of Indian Affairs in establishing a P.F.R.A. type of community pasture on an Indian reserve where grass might be needed to increase the cattle population of the Indians as well as to provide grazing for others that live adjacent to the reserve. I am quite sure we have not had a request from that particular area.

Mr. SOUTHAM: One of the reasons I bring this question up is I believe there has been a long term agreement with the Tyner farmers in this area, particularly around the White Bear Reserve, and this may apply to others. Because of the possibility of drought and so on they were given a long term grazing lease in the early days right in the reserve. Well now, there is some apprehension on the part of Indians, of course, and there are other developments taking place. There is also the economy of the Indians themselves. As you know, our Indian Affairs Department are trying to do something to assist the Indians to become more independent. I am glad to hear you say, Mr. Fitzgerald, that there would be co-operation, because I think here is an area—I am thinking of this particular reserve—where a lot of good could come of some organization like the P.F.R.A. operating with Indian Affairs to develop grazing lands because there is a lot of good pasture. I may follow this up at some later date with Indian Affairs themselves because I have had several representations made to me by neighbouring farmers in this respect and I am glad to hear that this is considered a possibility. You may be getting some information or communication from me or I may direct some inquiries to your department in that respect.

The CHAIRMAN: Before we go any further, Mr. Southam, I want to apologize to you for not recognizing you in turn the other day before recogniz-

ing Mr. Olson. Actually, you were next. I do not like to do this as Chairman. I do not want to do it again, either.

Mr. SOUTHAM: Well, thank you very much, Mr. Chairman. I am a man of forbearance, good humour and good nature so it does not worry me too much.

The CHAIRMAN: I do not like to make mistakes as Chairman, but I did the other day. Now, Mr. Danforth are you on the pasture program?

Mr. DANFORTH: Mr. Chairman, from the time P.F.R.A. has been in operation—I note the Act was passed in 1935—there is no doubt a tremendous amount of valuable experience has been obtained in this particular form of agricultural endeavour. Now, I am interested in knowing whether or not, due to the fact that we may be faced with a tremendous demand for expanded production in cattle in the very near future and also that from time to time we are faced with emergencies such as was spoken of in 1961, this administration or this department either itself or jointly with the provinces made an actual survey as to the potential in the three prairie provinces with regard to the establishment of additional forage. First what is the potential expansion in cattle numbers and carrying capacity that is available in the event it is needed, or is this the onus of the provinces?

Mr. FITZGERALD: I would say that all the provinces in the prairie area have done this. They generally make these figures available to us. We ourselves have not conducted any formal study along this line that you mention.

Mr. DANFORTH: Well, then, may I ask you another question along this very line, not being familiar with the activities of this line of agriculture. In case we ourselves are placed in a position where there is a tremendously expanded market for our cattle, which could conceivably happen, how long would it take this department to put a pasture into what is called normal capacity?

Mr. FITZGERALD: Well, if there is no reseeding involved, of course, all that is involved then is building a perimeter fence. If there is reseeding involved it would take, I would say, maybe two to four years to establish grass on marginal land that had been cultivated for cereal production.

Mr. DANFORTH: Well I would imagine that the larger part of the land that would be available, because of the way farmers utilize all workable land, would be submarginal. Then it would take from two to four years. Am I to understand from that then that we would be two to four years behind in any program of expansion that we might wish to undertake?

Mr. FITZGERALD: We would be if the additional pastures involved conversion of land from cereal production into grass production. I think long before that time though, Mr. Danforth, we probably would be going back up into the bush area, where there are rather large tracts of land which could be cleared. Here again in two or three years probably we could get substantial acreage behind the fence in the event we neeeded additional pasture land.

Mr. DANFORTH: You spoke of the establishment of buildings and fencing, and I think you quoted a figure of $16 an acre for reseeding, spraying and scrubbing of land. May I ask, on a per acre basis, what the nominal cost would be to the government in establishing such pastures?

Mr. FITZGERALD: Well in the north, including all of the fencing and clearing, it could run as high as $20 an acre. In the short grass area, of course, where there is no clearing involved, all it means is putting a fence around it and some buildings and providing dug outs or some water supply. I daresay the cost there may be as low as $5 or $6 an acre.

Mr. DANFORTH: I have one further question, Mr. Chairman. From time to time we are being informed of governmental action, both provincial and federal, to develop roads into the northern part of the three prairie provinces to take advantage of mineral deposits, oil or gas or some other element of that nature. When such railroads or access roads are built do they in themselves open up new potential areas for pasture in these provinces?

Mr. FITZGERALD: Well I tend to think of an answer here in relation to how far north you are speaking of, Mr. Danforth? The further north you get, of course, the thicker the timber, the shorter the season and you run out of the so-called agricultural area. I think I would have to say if agricultural settlement took place well this, of course, in itself would create a demand for grazing and it would only be under those circumstances, I suppose, that you would go in and try to establish a pasture.

Mr. DANFORTH: Well, may I phrase my question in another way then, Mr. Chairman. With present day methods of agriculture would you say that development northward has reached its potential right now?

Mr. FITZGERALD: I would say this is true with the possible exception of some of the area north of Hay River and south of Pine Point where there is some possibility that you could graze cattle.

Mr. DANFORTH: There are isolated pockets or valleys—

Mr. FITZGERALD: That is right.

Mr. DANFORTH: —with carrying capacity?

Mr. BARRY: I wonder, Mr. Chairman, if I could pose a question to Mr. Fitzgerald in relation to the point that Mr. Danforth is raising. Having regard to the continuing need for an increase in the total grass facilities in the western country. Mr. Fitzgerald mentioned earlier that we are involved in this gradually with respect to our community pastures, and I would like to ask him to what extent is the potential to increase the carrying capacity of existing range lands or existing community pastures by regrassing going to be able to take care of this increasing demand. How do you assess this, Mr. Fitzgerald, in relation to the point that Mr. Danforth is raising. Are we going to meet this by improving the carrying capacity of our existing lands as much as by opening up new lands? I think it might bring out the point you are raising, Mr. Danforth.

Mr. FITZGERALD: Well, there is a limit that you can do to improving most of the type of land we have in our community pastures, which is short grass area. The Chairman just asked me if we fertilized. We do not fertilize because as yet that is not an economic thing to do for grazing land unless you have an ample supply of irrigation or something like this. So I think the availability of pasture will come more in terms of opening up new areas than it will in terms of improving what we have. The critical thing really here in the development of

pastures is not necessarily the amount of grazing you have but the winter feed supply. These two things go together. You could have lots of pasture but if you had no winter feed supply you would not have the cattle population. In other words, that is one of the limiting factors. These two things must be considered together, the grazing in the summer and the availability of the feed supply in the wintertime.

Mr. DANFORTH: I understand, Mr. Chairman, from the answer that it is a question of forage in either one form or another. Might I ask if the department has any estimation of the increased potential in cattle population in percentages that could be expected in the three prairie provinces. We gather from time to time that one of the major problems facing the United States is the expansion and development of more forage for the greater cattle populations that are necessary and this is providing a very limiting factor. May I ask if there is any information as to the potential expansion in the west for our own cattle population?

Mr. FITZGERALD: Well, you hear figures, Mr. Danforth, that the cattle population in the three prairie provinces which is, I think, around 7 million or 7½ million at the moment, will have to double in 20 years to satisfy the red meat market. This is going to put a terrible strain not only on grazing land but also on land that will have to be devoted to growing the winter feed supply. One solution here, of course, is irrigation. Indeed, when you talk of doubling the numbers, irrigation is the only solution, I think. If we assume a strong market for wheat and therefore competition between wheat and fodder, irrigation is probably the one solution toward resolving this winter feed supply problem. Again, I tend to think that maybe summer grazing is not the real problem. The provision of fodder crops for our winter feed supply is probably going to be the critical thing which will limit the cattle population growth.

Mr. DANFORTH: This is a related question, Mr. Chairman and might infringe on water conservation. May I ask if there is experimental work going on right now, due to the fact that the west is developing a tremendous potential for irrigation, to assess the value of irrigation in the production of both pasture and fodder, and is there any possibility of a breakthrough on the testing of new grass varieties that could be used under irrigation?

Mr. FITZGERALD: Yes. One of the larger and more important research activities at both the Swift Current station and the Lethbridge station is devoted to this very thing, improving new varieties of grass and the investigation and experimentation in the growth of these varieties of grass under all conditions, either irrigation or dry conditions. This is a very important research activity of our department in western Canada.

Mr. HORNER (*Acadia*): I have a supplementary, if I might break in, Mr. Chairman. Is not the P.F.R.A. with the co-operation of the province of Alberta carrying on some studies at the present time with regard to irrigation generally and the effect it plays upon a community, and whether or not it is profitable for a community, from an investment point of view, to get into the irrigation business to a greater extent.

The CHAIRMAN: May I just interject something, Mr. Horner. I take it there are no questions on pastures and if we want to cover irrigation we on do so now?

Mr. HORNER (*Acadia*): Well, Mr. Danforth asked whether there were further studies and I think there is. I think my question is in order.

The CHAIRMAN: I think under the next clause, water development service, you can cover all the irrigation projects and that. I would just like to know from the committee whether we have finished questioning on pastures if so, we could proceed with your line of question, Mr. Horner, under water development service?

Mr. HORNER (*Acadia*); Do you have anything to say with regard to irrigation studies which may be going on now?

Mr. FITZGERALD: Yes, that study is an ARDA study that was done with the co-operation of the University of Alberta, P.F.R.A. and the economics division of our department. It is finished. It has not been published yet.

Mr. HORNER (*Acadia*): It is finished though?

Mr. FITZGERALD: Yes.

Mr. HORNER (*Acadia*): Is it going to be made public?

Mr. FITZGERALD: Yes, it is going to be published as a study and it will be available.

Mr. HORNER (*Acadia*): Who is going to release it, the provincial or you people?

Mr. FITZGERALD: The provincial government.

Mr. HORNER (*Acadia*): It is in their hands now?

Mr. FITZGERALD: We had a meeting about two or three weeks ago in Edmonton to finalize the report and I imagine in the next few weeks it will be published.

Mr. HORNER (*Acadia*): I want to revert to the agricultural community. You suggested that the word "community" on page 2 of the report actually means agricultural community and I want to deal with this word for a minute or two. P.F.R.A. has carried out a number of projects beneficial to what one might say a town, small village or a small community and beneficial in a general way to the agricultural industry in the surrounding area of that town. Am I right?

Mr. FITZGERALD: That is right.

Mr. HORNER (*Acadia*): Is there any gauge or rule of thumb you follow, such as a 60 per cent benefit to the town and 40 per cent for the agriculture or vice versa?

Mr. FITZGERALD: Well in our benefit cost studies for these projects we can delineate what might be the benefits to agriculture, the farmers, as opposed to the townspeople. The point I tried to make before, Mr. Horner, was that if the benefit to the urban people is significant—and do not ask me for a percentage here—it then becomes something other than a purely agricultural type of

project. We have had some success with Treasury Board in getting some of these through. They tend to think that provision of town water supply is a municipal responsibility—they have ways and means of financing this type of thing generally through their municipal tax base—and that PFRA or agriculture generally should not necessarily be charged with providing an urban water supply, even though this same supply may help out, in a general way, the farmers of the area.

Mr. HORNER (*Acadia*): Yes, but in the creation of a reservoir—and as I say a number of them have been created in what I called the special areas—you allow the creek on which the reservoir is built to flow most of the summer; at least water can be released down the creek for general agricultural use throughout the whole summer whereas if you let the water go down the creek in the spring it is gone and finished and in the summer it is dry. Most of those creeks are dry in the summer. But if a reservoir is created it is hard to estimate the over-all actual good it will do agriculturally, but recently PFRA built one and I know it is greatly appreciated by the agricultural farmers in the area. That is on the Blood Indian Creek. I think you are probably aware of the dam. It did not quite fill up this year but they have certainly got a large reservoir of water there and I know it is greatly appreciated. However, if there was a town lying alongside of that one, for instance, the agricultural community could not prohibit the town from using it. In other words, you may get a licence to put a dam on a creek from the water resources board of the province but that does not really prohibit an urban area from using it too.

Mr. FITZGERALD: No. We build many dams adjacent to towns. A dam must be of a certain size probably. We do not have to build it any higher to accommodate a town and, therefore, that is looked upon by us as a purely agricultural type of project; in other words we are not spending money for urban water supplies. There are other instances though, Mr. Horner, where municipalities have asked us to build a dam adjacent to the town obviously to serve both interests and sometimes the urban interest is much greater than the rural interest.

Mr. HORNER (*Acadia*): That is true and I know you have done a lot of this. I am thinking particularly of the project around Hanna. One might say this is in the heart of an area in which water projects have played a tremendous part in aiding the community. However, that particular town needs a greater water supply and the agricultural area that the creek runs on, the Bullpond Creek, could also use a steady flow of water or a reservoir from which water could be released throughout the year. I am informed that PFRA turned thumbs down on that particular project because they felt it was too great an assistance to the town and not enough to agriculture. I am just trying to arrive at where you draw the line or what criteria you use?

Mr. BARRY: I wonder, Mr. Chairman, if I could come in at this point on this subject which is an extremely interesting one. There are various points of view with respect to this issue of town water supply versus purely agricultural water supply. Indeed, many will argue with considerable validity that many of the towns are really agricultural and that they should not be considered purely an urban matter because the agricultural community depends on the town. This is

an argument used by many and with considerable validity. Certainly, historically, PFRA has constructed many water projects which have provided a source of town water supply; there is no question about that. I fully appreciate the interest of members in this total area. I wonder if I could put it this way: We have had a bit of a changing circumstance; ARDA has entered the picture and under ARDA, theoretically, water supplies or water projects could be developed with federal assistance by a province, although, I think it is generally recognized and accepted that in so far as the western area is concerned the expertise and ability with respect to water development rests very largely with PFRA. This is the historical organization which has handled water development in the west. I wonder if it would serve to answer the question which is in your mind, Mr. Horner, and may be in the minds of other members as well with respect to this total subject if I said that in this area of decision with respect to the use of water by towns or by the purely agricultural community, and what the position of PFRA should be with respect to projects involving that multiple use, that this is an area now that we are internally—not only within the department but within the government—trying to resolve and on which we have a specific policy laid down. Pending that it is a bit difficult for Mr. Fitzgerald to be precise.

Mr. HORNER (*Acadia*): In other words, to make it clear in my mind, the government is evolving a policy right now in this regard and it should be announced shortly?

Mr. BARRY: I hesitate to be committed to a date but it is an item we are trying to resolve and develop a firm continuing policy on.

Mr. HORNER (*Acadia*): I am very, very pleased to hear this. Have you taken into consideration the fact that maybe the town does benefit to some extent but perhaps they are also prepared to put up half the money or part of the money, say, a third of the money.

Mr. FITZGERALD: It is a consideration, sir. This is one item that is in the total consideration of thinking it through at the moment, yes.

Mr. HORNER (*Acadia*): You see, ARDA is a fine project, but I think it is being stashed away and is not being used to the greatest extent it could. I have an article before me from the Calgary *Herald* which carries this headline: Under ARDA Southern Alberta is Out; in other words, supposedly, the wages are too high and the gross incomes of the farms are too high in southern Alberta and so southern Alberta is out. But there are many towns and many agricultural communities that need assistance. They need greater water reservoirs. ARDA apparently is out because the wages are too high so there is a gap or a vacuum that P.F.R.A. can still move in and operate in. I am really pleased to hear that the government is giving consideration to this. We in Alberta know that the provincial government is studying the Red Deer River project but we also know they have been studying it for a good many years and some of us who have been watching them realize that we are still 20 years away from any actual benefit from it. Even if it is developed it will not get water to all the smaller communities in the area about which I am concerned. The particular Fox Lake project at Hanna, I want P.F.R.A. to take a good long look at it because I know the town is in desperate need of a greater water reservoir and I know that agricultural area, while this month of June has been pretty generous with rain,

generally dries up pretty good around the end of July and burns up pretty bad. We could do with more water on the Bullpond Creek and so on. There are two creeks really that flow out of the Hand Hills and this water should be trapped and used throughout the summer rather than left to flow down and empty out eventually into Hudson Bay. It could be put to better use. I want to see these projects given every consideration. I am pleased to hear the government is giving it thought.

The CHAIRMAN: You are suggesting that P.F.R.A. powers be expanded.

Mr. HORNER (*Acadia*): I am suggesting that P.F.R.A. be used in the broadest possible sense to develop and aid the agricultural community and I take the phrase "agricultural community" to mean the town in the area and the surrounding area, and I think Dr. Barry outlined a similar belief. I will not say any more. If P.F.R.A. is interpreted in that sense I think it can play a very major role in the years ahead in water conservation on the prairie provinces.

Mr. BARRY: I tried to use civil service caution when I said that many feel this way.

The CHAIRMAN: I would just like to comment here that many in eastern Canada wish they had such an organization to assist them with their water problems.

Mr. JORGENSON: I think it just a little bit incongruous, you know, that you have legislation that will authorize the expenditure of several millions of dollars to water a cow and yet the needs of the human being are not recognized at all. I can perfectly understand the reason why a P.F.R.A. water policy was developed in the first instance and we all approved of it. However, I think that times have changed now and the needs have been shifting. I am glad to hear the government is giving some consideration to this matter as well because in many areas the development of a P.F.R.A. dam serves a greater recreational use than it ever could an agricultural use and yet they are being built for agricultural purposes. I know they are classed as stock watering dams and a cow never drinks out of them but still they are serving a very useful purpose in these areas. I think a very clear policy should be outlined where the authorization for the construction of the dam for whatever purpose, water conservation, town water supply, recreation or agricultural purposes should be all embracing. I would be very forward in putting forth this suggestion. As a matter of fact I would go so far that if somebody wants to draft a bill for me I would put a bill on the order paper making an amendment to P.F.R.A. to authorize this very thing.

Mr. HORNER (*Acadia*): Mr. Chairman, perhaps that is just one of the recommendations this committee could make after we are through reviewing the agricultural estimates for this year.

Mr. JORGENSON: Oh, certainly.

The CHAIRMAN: From what I have read on P.F.R.A. I recall one time seeing where they built a watermain some 9 or 10 miles long, and Mr. Fitzgerald tells me it was partly paid by P.F.R.A. Is that right?

Mr. FITZGERALD: We made a contribution to this particular line because it will serve farmers' interests from the outlets along the line. Our contribution was related to what we would have to spend digging dugouts and this type of thing.

Mr. HORNER (*Acadia*): Is that in Vulcan?

Mr. FITZGERALD: No, that is Eston-Kindserley.

Mr. HORNER (*Acadia*): Would you still consider undertaking another project similar to that?

Mr. SOUTHAM: I would like to associate myself with the remarks that have just been made by Mr. Horner and Mr. Jorgenson regarding the expansion of benefits under P.F.R.A. so far as these community projects are concerned. I think in the administration so far the P.F.R.A. have tried to expand themselves or take full advantage of providing further service to the urban communities. I would like to see this aspect of it looked at because we in western Canada, so far removed from the beneficial tradewinds of the Pacific and Atlantic coastal areas, at times do run short of water and it is the lifeblood of our western Canada and becoming more important all the time. Now, more specifically, I would like to ask Mr. Fitzgerald a question regarding the Moose Mountain watershed area. There have been several very important dam projects developed there in the last few years, which have been greatly appreciated by the residents of these areas. Could you say what projects may be under consideration at the present time so far as future dam development is concerned? For instance, is there any further development in the Moose Creek area?

Mr. FITZGERALD: Yes, we have done a pre-engineering study of a damsite on Moose Creek and it has been listed now as one of our possible projects whenever funds become available.

Mr. SOUTHAM: Of course, the conservation is divided roughly into three areas, dugouts, stock watering dams and the larger P.F.R.A. dams. No doubt the demand and development of dugouts is progressing at about the usual rate, I presume. I have had several inquiries from people in that area who have been having dugouts dug, regarding the payment. I believe the present subsidy is $250 per dugout?

Mr. FITZGERALD: Three hundred.

Mr. SOUTHAM: Is this money paid diretly to the farmer who makes the application for a dugout or is it paid to the contractor after the dugout is finished?

Mr. FITZGERALD: No, it is paid directly to the farmer.

Mr. SOUTHAM: To the farmer?

Mr. FITZGERALD: Yes.

Mr. SOUTHAM: I had what I thought was a complaint from a certain area and it was the contractor himself who was doing the complaining. He felt that the money was paid to the farmer and then sometimes he took quite a while to get around to paying the contractor. I was wondering if there was any

supervision in the area? Are there any rules how these payments should be allocated or when they should be paid to the contractor?

Mr. FITZGERALD: Up until about three years ago we had an arrangement whereby a farmer could assign the payment to a contractor but this did not work out to our satisfaction so we made the decision that from now on we would pay directly to the farmer. It became the farmers business then to pay the contractor.

Mr. SOUTHAM: Have you had very many complaints, if any, about the slowness of the farmer, perhaps, to pay the contractor?

Mr. FITZGERALD: I think we have, Mr. Southam. Indeed, this is why we started this other scheme of having the farmer assign this money to the contractor. However, it works the other way too. The contractor would get his money and perhaps the farmer wanted some clean-up work done and he would not get it done.

Mr. SOUTHAM: Well, my comments, of course are just to try and pour a little oil on the troubled waters if there are any because I have had the odd complaint directed to me. I do not think they are too numerous; I hope they are not. I was just wondering how your department handled that to the satisfaction of the majority of people concerned.

Mr. FITZGERALD: We certainly have complaints, not frequently, but there are complaints. When our engineers goes out to make the final inspection before the money is released he frequently finds that the dugout has not been built up to standard. It is up to the farmer to get the contractor to come back or for the farmer to do it himself. Now, the farmer will not get paid until we are satisfied the dugout meets the minimum standards. I think there is always a little bit of trouble in this particular area.

Mr. SOUTHAM: Coming back to the P.F.R.A. dams, is Moose Creek the only one under consideration or contemplated for further development in the Moose Mountain watershed or have you any others?

Mr. FITZGERALD: That is the only large one. The figure there is somewhat close to $1 million.

Mr. SOUTHAM: I do realize that the maximum potential has been pretty well developed so far as the larger dam construction in that area is concerned. As I previously mentioned, it has been of great benefit to the communities affected and I know if other areas have not taken full advantage of this particular water conservation program they are missing out because it has been of great benefit to our area. I appreciate the co-operation we have had from P.F.R.A. in this respect.

Mr. FORBES: Mr. Fitzgerald, about three years ago your department made quite an extensive survey with a view to putting in a dam at Gilbert Plains Manitoba to serve not only the little village of Gilbert Plains which I have just mentioned but the farmers living along the Valley River, a distance of approximately 30 miles. I think you went so far as to enter into negotiations for acquiring property on which to build the dam. Recently this thing seems to

have been stopped. Can you give me any idea why it was discontinued or if you intend to proceed with it?

Mr. FITZGERALD: Well, it was one of those projects that was turned down by the Treasury Board for the very reason we are talking about, because there was quite an urban content in it. I would hope through, Mr. Forbes, that that type of project could be accommodated in the new policy we are attempting to develop now.

Mr. FORBES: Well, I saw a letter associated with it that left a wrong impression and that is that it was only the town of Gilbert Plains which was going to benefit, and this is ridiculous. When this survey was made I think your records will indicate that it was serving the farmers from Gilbert Plains clear through to Lake Dauphin; and even this year, I noticed a few days ago when I was home, the water is very low in Valley River. There is a lot of stock along that river and a lot of farmers and they cannot get water by digging wells. They are quite disgusted that this thing was held up. The very fact that 800 people in the little village of Gilbert Plains would benefit a little from this supply of water is immaterial. As a matter, of fact they are getting water from the river by a very small dam they put in themselves, and it would continue to serve their purpose. I would certainly like to see this project continued.

Has your department been requested by the province of Manitoba to develop what they call the thousand acre bog southwest of Grand View.

Mr. FITZGERALD: Is that a drainage problem.

Mr. FORBES: No, it is a water conservation problem, again to supply water down the Pleasant Valley Creek. A dam was to go in on the thousand acre bog to provide water down the Pleasant Valley Creek for a distance again of over 20 miles to farmers living adjacent to it with livestock.

Mr. FITZGERALD: To my knowledge, Mr. Forbes, there was no request from Manitoba for that project.

Mr. FORBES: Thank you.

The CHAIRMAN: Thus far, I would make one comment and that is I can readily understand why P.F.R.A. is being very cautious on supplying villages with water because if they knew how much hellery members of Parliament from eastern Canada were raising because they were not getting federal assistance for water for their villages I think you would understand why they are being cautious on this.

Mr. HORNER (*Acadia*): Mr. Chairman, we never suggested at any time that P.F.R.A. supply water solely for a village. We just wanted them to accept the broad concept that an agricultural community may well have a village in it.

The CHAIRMAN: I go along with this theory 100 per cent. I have never been successful in impressing the proper people that this should be done in eastern Canada too. I realize also there are more farmers apparently in western Canada than ever that actually live in these small villages and towns and this is their home.

Mr. FORBES: That is right, Mr. Chairman. That is the main point, they do live in the villages and farm from the villages.

The CHAIRMAN: That makes it better for services.

Mr. WATSON (*Assiniboia*): I should like to associate myself with the idea that P.F.R.A. is considering extending water to communities. Referring to this article Mr. Horner had, is Mr. Fitzgerald familiar with a problem we had down in the Bengough area. This article says recreational projects can only be assisted in underdeveloped areas of the province. Do you do an economic survey of an area in conjunction with planning a dam possibly or a dougout for water purposes pertaining to recreation?

Mr. FITZGERALD: No. Well, let me put it this way; we justify projects solely on their agricultural content. Even though we may be aware it will have a recreational use that does not become a factor of justification so far as we are concerned.

Mr. WATSON (*Assiniboia*): Would this have a direct bearing then under the ARDA program?

Mr. FITZGERALD: It would if recreation as an industry would help out the local area in terms of providing more employment and that type of thing. ARDA does not, to my knowledge, authorize funds to build recreation facilities per se, only if they are related in some way to the development of area in providing more employment and that type of thing.

Mr. WATSON (*Assiniboia*): Would ARDA take into consideration the distance of areas, I am specifically thinking of the southern part of Saskatchewan where the closest water facilities for recreation would be along the Qu'Appelle River north of Regina, and this would be possibly better than 200 miles. Do you feel that this should be a consideration in giving people in that community some recreation. Would the distance from a resort not justify the point being stretched? I see here they also refer to wages being less than $3,000 and farm grosses of under $4,000. I would not be surprised if this particular area came into this category.

Mr. FITZGERALD: To answer your question again, Mr. Watson, I think that if it was eligible for ARDA money it would be made eligible in relations to what that particular recreation project would contribute to the economy of the local area. I stand to be corrected here but I do not think it would be eligible for ARDA funds merely to provide recreational facilities for people in the area. If there was a potential here for employment of local people in operating services associated with this recreational facility then it might be eligible for ARDA funds.

Mr. HORNER (*Acadia*): Would you not agree, though, Mr. Fitzgerald, that one of the main aims of ARDA generally is to raise the standard of living in a given area? Take an area which is several hundred miles from any major recreational facility; would you not agree that with today's standard of living this goes hand in hand. By providing a reservoir or a lake which would have agricultural benefit and recreational benefit would not ARDA be raising the standard of living for those people who because of their job, have to live several hundred miles from recreational facilities.

Mr. BARRY: Mr. Chairman, I am sure that members can appreciate that it puts Mr. Fitzgerald in a rather difficult situation to have to interpret ARDA policy in these matters.

Mr. HORNER (*Acadia*): Well before Mr. Fitzgerald said recreation was not considered. I want him to look at it from the broad concept of raising the standard of living. This is what we are trying to do.

Mr. FITZGERALD: Actually, in so far as PFRA projects are concerned we recognize that when any substantial water reservoir is constructed that it has some recreational use as an incidental to it. Mr. Jorgenson mentioned that. Indeed, sometimes this causes a little bit of difficulty when people are using it and object if we lower the water for other purposes.

Mr. WATSON (*Assiniboia*): Mr. Chairman, I do not want to leave any impression that I have not had the fullest co-operation from Mr. Fitzgerald on this because I have. I think the people of the community realize this also.

The Chairman: Can you tell me one thing, Mr. Watson; do you get the water for irrigating your land out of a project such as this?

Mr. WATSON (*Assiniboia*): I am a dry land farmer.

The CHAIRMAN: You told me you irrigated pasture at one time.

Mr. WATSON (*Assiniboia*): I am a dry land farmer but I do use dugouts.

Mr. JORGENSON: I just have one final question.

The CHAIRMAN: I interrupted Mr. Watson; I am sorry. You were trying to finish a question.

Mr. WATSON (*Assiniboia*): Well, I have just another word on ARDA. My understanding that part of the ARDA program, when it was originally set up, was to take care of recreational facilities or to assist in them. I am just trying to determine whether they have any assistance for recreation and I am not thinking of where the big water supplies are. They may come into the picture here, but I feel that if they do not go into these far off communities where there are no facilities then it is really of no benefit.

The CHAIRMAN: I would point out again what Dr. Barry started to outline here, that ARDA policy or programming is beyond the scope of PFRA.

Mr. WATSON (*Assiniboia*): Is ARDA appearing before us at some time?

The CHAIRMAN: We have the right to have ARDA before the committee if it is directed by the House. We have not been directed by the House to deal with ARDA at this time. I am sure that this could be arranged without any great difficulty because I have talked to the minister in charge of ARDA and he would be quite happy to have them come before the committee.

Mr. HORNER (*Acadia*): I would like that, Mr. Chairman, I think it is very important.

The CHAIRMAN: I think from what Mr. Horner has said earlier too, PFRA certainly has some advantages over ARDA and if it was expanded a little bit in some of these areas it might prove beneficial. We know ARDA's figures of

gross and net income are not even ditch diggers' wages so far as a great many people in Canada are concerned.

Mr. JORGENSON: May I ask a question about PFRA? In 1961 PFRA were considering the possibility of extending assistance to farmers who were not in areas where dugouts were practical and in fact were in areas where there was a source of underground water supply. I wonder if Mr. Fitzgerald could tell me just how far they have progressed with this program?

Mr. BARRY: I would say it is not in the process of a final determination as to whether they will or not. But as yet that final determination has not yet been made, Mr. Jorgenson.

Mr. JORGENSON: Well fine; I will not press you as to what that determination is going to be. I will wait and see. I will contain myself.

Mr. DANFORTH: Mr. Chairman, I had a supplementary question following along the line of Mr. Watson's question where we have PFRA and ARDA overlapping. I am sure the witnesses are well aware the government is developing or starting to develop a real interest in water conservation on a national basis. May I ask if there is any conference, proposals or undertakings in this department to group PFRA, ARDA and northern resources under one broad policy of water conservation.

Mr. BARRY: In respect of the total area of water conservation the only specific field of involvment of the Department of Agriculture is in western Canada through our P.F.R.A. operation. We have nothing else comparable to that. There is now under development a comprehensive study with respect to the Saskatchewan-Nelson basin which takes in almost the total water system of the western plains. In this there will be collaboration between the new Department of Energy and Resources, the Department of Agriculture through P.F.R.A. and the provincial interests. It is only in respect of the western P.F.R.A. area in which the Department of Agriculture would be specifically involved in the total area of water conservation.

Mr. DANFORTH: It will deal solely with the specific projects rather than an over-all policy?

Mr. BARRY: The Saskatchewan-Nelson basin study is really an over-all water study policy for the western region because this encompasses virtually the whole of the water supply in the west apart from what comes up from the Red and that way; but it involves all the waters flowing off the Rockies and entering the Saskatchewan-Nelson basin. Indeed, I suppose the Red does too, through the lakes and up into Hudson Bay.

Mr. DANFORTH: Mr. Chairman, this is a supplementary I had directed on Mr. Watson's question. I have other questions of a general nature but I am not sure when my turn is and I will pass.

The CHAIRMAN: You are free to ask further questions at this time.

Mr. DANFORTH: Mr. Chairman, I am well aware there are some very major water projects in the process of construction in the west, and I speak specifical-

ly of the South Saskatchewan dam. I am sure we all realize here that there is tremendous potential so far as irrigation is concerned with a project of this magnitude. May I ask first, if irrigation connected with a project of this nature is under the definite control or development of the provincial authority or is it under the federal authority?

Mr. FITZGERALD: The provincial authority.

Mr. DANFORTH: We have nothing other than the initial agreements then to work out with the provincial authorities. Has any control so far as the federal government is concerned in these initial agreements that a definite amount of development has to take place within a specified number of years? There must have been some tie in when the government was going into a project of this magnitude and spending the tremendous amount of money that is projected here. I see a figure of $110 million. Are you aware of any commitment for development in this particular area?

Mr. FITZGERALD: Yes. The 1958 agreement which covers the construction of the South Saskatchewan Dam project stipulates that the province of Saskatchewan will have 50,000 acres of irrigation ready by the time the project is completed. The completion date of the actual construction is this fall but the reservoir will not be filled up to the level that it will permit the province to pump for irrigation. So, they have, in effect, two more years to develop this 50,000 acres of irrigation.

Mr. DANFORTH: Are you aware of any studies that have been made or any projections that have been made as to the total number of acres that could eventually be brought under irrigation from this one project alone?

Mr. FITZGERALD: The original figure was 500,000 acres. That has been reduced to about 300,000 acres now they have done the final soil classification. This is 300,000 acres that could be irrigated by gravity from the South Saskatchewan project.

Mr. DANFORTH: This is strictly a gravity proposition. Has there been any thought given to a mechanical irrigation sprinkler?

Mr. FITZGERALD: Well I daresay there will be considerable sprinkler irrigation because under certain conditions sprinkler irrigation will pay, that is, if your land is rough or it cannot be reached by gravity. With regard to the Saskatchewan project though they are now thinking more in terms of gravity than they are in respect of other irrigation.

Mr. DANFORTH: May I, Mr. Chairman, approach this in another manner. Are there any restrictions at the present time on farmers on both sides of this tremendous reservoir, this river system that will be developed, or will there by any restrictions on farmers using that water for irrigation by mechanical means?

Mr. FITZGERALD: I do not think there would be, no. If the water is available in one of the canals or one of the ditches then, if the farmer wanted to use sprinkler irrigation, so long as he was able to obtain a water right he would pay for what water he took.

Mr. BARRY: Excuse me, Mr. Danforth but were you referring to farmers with land adjacent to the reservoirs rather than on the calanls?

Mr. DANFORTH: Yes; I am not speaking of the particular tract that is being developed as a specified area for irrigation. I am speaking of the rights of the farmers adjacent to the entire watercourse.

Mr. BARRY: Whether or not they come under the irrigated area?

Mr. DANFORTH: Yes, whether or not they do come into an irrigated area.

Mr. BARRY: Along the whole length of the reservoir?

Mr. DANFORTH: Yes, this was my question.

Mr. FITZGERALD: Well in the development of the irrigation system the water will flow alongside each farm property. If the farmer wants to irrigate by sprinkler or by gravity, this becomes the farmer's business.

Mr. BARRY: But Mr. Fitzgerald, is there any restriction—and I think this is what Mr. Danforth had in mind—not to farmers who would be adjacent to the irrigation canals which flow out of the reservoir but farmers along the length of the reservoir. Is there restriction with respect to the use of water by them? Is that your point, Mr. Danforth?

Mr. DANFORTH: Yes.

Mr. FITZGERALD: No, I do not think there would be.

Mr. DANFORTH: This might have quite a bearing eventually on the use of the water in the reservoir itself. For example, there are in our area, irrigation pumps that pump up to 100,000 gallons of water an hour and a number of these operating along a length of 100 or 200 miles could make quite a variance in the water level of the reservoir itself. I just wondered if there is any restriction.

Mr. FITZGERALD: This would all be pumping out of the reservoir. It would not be by gravity?

Mr. DANFORTH: Yes.

Mr. FITZGERALD: I am doubtful there would be any restriction, Mr. Danforth. The supply of available water in that reservoir, is very, very large and the amount of sprinkling that would be done by pumping from the reservoir itself would be rather insignificant in relation to the total amount of water that would be available for irrigation generally. I would say there would not be any restriction.

Mr. DANFORTH: That is a very interesting development.

Mr. FORBES: Mr. Chairman, I understood that there was some resentment from the farmers living along the Saskatchewan River being included in what you might call a designated irrigated area. Now is this resentment continuing or is it due to a special tax levy on these farmers for irrigation purposes or what is the problem?

Mr. FITZGERALD: I wonder, Mr. Chairman, if I could refrain from answering that question because it is a very delicate political issue in the province at the moment. I am not completely familiar with what their policy is.

Mr. FORBES: You mean you have politics in Saskatchewan too?

Mr. FITZGERALD: If I could, I would rather not comment.

Mr. FORBES: Is this irrigation part being developed by the province? Is it their responsibility or is it yours?

Mr. FITZGERALD: It is solely their responsibility.

Mr. FORBES: It is solely the province.

The CHAIRMAN: As it is a provincial responsibility I think it is unfair to pursue that.

Mr. BARRY: I think perhaps, Mr. Firzgerald, meant to say it was a very delicate administrative problem rather than a delicate political problem.

The CHAIRMAN: I think we understand what he meant. Are there any other questions on small water projects.

Mr. HORNER (*Acadia*): I have one question before 12 o'clock, Mr. Chairman. Has the Alberta government made any overtures toward PFRA with regard to the development of the Red Deer River diversion scheme? In other words, are they now in the process of trying to reach an agreement with the federal government with regard to cost sharing on this project?

Mr. FITZGERALD: Mr. Horner, the Red Deer project is now a part of the total prime project, the Prairie Rivers Improvement—I forget what that stands for. Alberta, I think, are studying the whole package, of which the Red Deer diversion is merely one part.

Mr. HORNER (*Acadia*): So they have not got down to any cost sharing arrangement on that particular project?

Mr. FITZGERALD: No.

Mr. MCLELLAND: I was just wondering whether we were up to the South Saskatchewan River dam. I would like to ask a couple of questions on that.

The CHAIRMAN: There have been several questions on that so I think it is in order.

Mr. MCLELLAND: We know the PFRA have bought land that is surrounding this reservoir which will never be covered with water. The only time some of it ever would be covered with water would be, I understand, when the water at the dam is less than 13 feet from the top—if it ever does get that full, but beyond that it would never flood the land any way. Now they have control of this land. They have bought it but the farmers are renting it on a crop share, one-sixth basis. Have they a policy for the future? Will these farmers just be able to continue along with this land indefinitely. Suppose the water never does cover it, and even if PFRA tells them they can no longer put this land into crop because the water might cover it, will that land just lie completely idle or are they going to have a chance to go in and farm it later on? What would be the policy governing this? There are quite a few hundred acres involved in this?

Mr. FITZGERALD: First of all, we had to buy land we actually did not need because it was part of a whole farm. We, of course, turned the whole project over to the government of Saskatchewan, all of the work including all of the

land, and I suppose it would be up to them to develop a policy with respect to use, whether it is going to be re-sold or leased.

Mr. McLELLAND: These farmers are paying a portion of their crop directly to the Crown now. I presume they will be told by PFRA that they can no longer farm it at some particular time. Now, I do not know when this is going to be. They do not know when this is going to be. They are more or less making an agreement year by year. Is PFRA eventually going to turn it over to the province?

Mr. FITZGERALD: Yes.

Mr. McLELLAND: Well then, will these same tenants have to negotiate strictly with the province then?

Mr. FITZGERALD: That is right.

The CHAIRMAN: It will all be under provincial administration then, Mr. Fitzgerald?

Mr. FITZGERALD: That is right.

Mr. McLELLAND: Well, this irrigation land as of now is under the provincial jurisdiction. The ditches are under way now and this is all strictly provincial. But this crop which is coming off this fall is still being made payable to the Crown. Now next spring they will have to renegotiate again. In some of these cases they did not know until quite late this year whether or not they would be able to farm it. We all know they are going to be able to farm it for years.

Mr. FITZGERALD: Actually the agreement the farmers had is with us, PFRA, not the province as yet.

Mr. McLELLAND: You have not a date when you are going to turn that all over to the provincial government?

Mr. FITZGERALD: When the project is finished, it will be turned over to the government, I suppose, some time next year. When I say the project I am talking about everything that we have acquired and constructed, which will be turned over to the province.

Mr. McLELLAND: That will take in this land too? This will automatically go to them?

Mr. FITZGERALD: We have not been able to enter into any long term lease with these farmers for that reason. We cannot anticipate what the policy of the province of Saskatchewan might be with respect to this type of line.

Mr. McLELLAND: So any person inquiring about this will have to be told they will soon have to start negotiating with the provincial government then? We are acquainted with the situation and some of this land never will be flooded.

Mr. FITZGERALD: Well they will be the owners of the property.

Mr. McLELLAND: The provincial government will own it?

Mr. FITZGERALD: The provincial government will, yes.

The CHAIRMAN: I think we will adjourn now until 3:30 this afternoon, at which time we will continue on with P.F.R.A.?

Mr. BARRY: Mr. Chairman, if the committee completes P.F.R.A. early in the afternoon, do you wish to continue with something else in the department?

The CHAIRMAN: Oh yes.

Mr. BARRY: We will continue with something else, the health of animals or some other subject.

Mr. JORGENSON: Well, I understand that there is feed grain.

The CHAIRMAN: That is what I wanted to say, as long as there is no legislation before the House, I have no way of knowing when that will come before the House, unless you are aware of it Dr. Barry?

Dr. BARRY: No. I understand the crop insurance bill may be up later today but at what time I do not know.

The CHAIRMAN: I have asked to be kept informed and I had hoped we could finish P.F.R.A. and proceed with some other business until such time that we are informed the crop insurance or other legislation concerning agriculture is before the House, because the committee members here do not want to be here when legislation is before the House.

The committee will adjourn to the call of the Chair.

AFTERNOON SITTING

The CHAIRMAN: Well, I think we will start the meeting. There are several members whom I talked to who will be here shortly.

Mr. FITZGERALD: Mr. Chairman, I would like to clarify an answer that I gave this morning to a question that was asked about the disposal of lands that are in excess of budget requirements in the province of Saskatchewan. I answered that these lands would be given to Saskatchewan when the project be handed over to them. I understand this is not quite right. There is not complete agreement within the South Saskatchewan River Development Board as to the disposal of these lands. I have to qualify my answer by saying that as yet a firm policy has not been establisheed in this regard.

The CHAIRMAN: Thank you, Mr. Fitzgerald.

Mr. DANFORTH: Following the line of questions we had this morning, Mr. Chairman, there was one that I was interested in where it stated that the P.F.R.A. operates six irrigation projects of about 25,000 acres fully developed for irrigation. I understand the basic purpose of these, but may I ask how they are set up and how they are operated?

Mr. FITZGERALD: These are projects where Canada owned the land, acquired the land, and developed the main works to irrigate 40-acre plots which

have been assigned to farmers on which they grow fodder for their livestock. The whole purpose of the project is to assure a winter feed supply in this particular area.

Mr. DANFORTH: Is this a gravity irrigation project in its entirety?

Mr. FITZGERALD: In its entirety, yes.

Mr. DANFORTH: Is this a continuing process, or is this something that was conceived and when the 25,000 acres were utilized it was the end of the project? Is this being spread through the three provinces, or is it confined to one particular area?

Mr. FITZGERALD: It is confined to one particular area because of the peculiar problem they had years ago with respect to winter feed supplies. We have developed all of the water potential in that particular area. I question whether there would be any more water available in the area to irrigate more than what is now irrigated in that area. So the limits of that project I think have been reached pretty well.

Mr. DANFORTH: I can understand that it would certainly be one of the finest insurance policies that could be developed for this particular type of farmer. Why was this not used in other areas? Was it limited by sources of water or was it limited by government funds? What placed the limitation on this so that it was confined to one particular area? When you take 25,000 acres out of those three western provinces it is just a drop in the bucket. What I wonder is why was it limited?

Mr. FITZGERALD: I think it first of all was to satisfy a rather dire need of winter feed in that particular area, and P.F.R.A. have developed irrigation of course in the province of Alberta. There is a large tract of irrigation there. I cannot answer the question why this has not been duplicated elsewhere in the province. I would suggest though that one of the reasons is the actual availability of water and the need for irrigation in an area where you do not have an assured witer feed supply otherwise.

Mr. DANFORTH: Is this a joint project between the province and the federal government like so many are? Does the initiative have to come from the provincial government?

Mr. FITZGERALD: Normally it would. In that particular case the federal government took the leadership. Now, we are going back to the late thirties when it was a question of the federal government taking much more leadership then than we do now. When a project of this kind is undertaken by P.F.R.A. it would be at the request of the provincial government.

Mr. DANFORTH: Mr. Chairman, I do not wish to be difficult in this, but I am still trying to get at the limiting factors. Could it be that the amount of forage produced does not merit the financial investment necessary; would this be a limiting factor?

Mr. FITZGERALD: Not necessarily. I cannot, myself, think of another area on the plains where winter feed supply is a critical problem and where there is water that could be made available for irrigation of winter feed crops.

Mr. DANFORTH: I have one further question at this time, Mr. Chairman, and it is something that I am very much concerned about. It seems to me in the various fields in agriculture we are getting into the duplication of effort, responsibility and financing as between provincial and federal governments. Not only to that, but we have various agencies on provincial and federal levels which further complicate the thing. Now, this was brought out in the evidence on P.F.R.A. and crop insurance. To pursue my line of questioning this morning, we have answers to questions indicating the fact that there is a duplication to a degree in ARDA in providing conservation in water, and P.F.R.A. in providing conservation in water. We have both the provincial governments and the federal government involved with perhaps three different basically conceived programs. Now, in the House we hear of the interest of the Department of Northern Affairs in the development and the study of conservation, especially of water. I am wondering just where we are heading, and that was the basis for the question this morning, have there been any preliminary talks in this regard in the Department of Agriculture and the Department of Northern Affairs, and all other departments that are involved. Are we going to see a time when the P.F.R.A. will no longer be administering this policy? It will be divided between northern affairs and ARDA projects. Just where are we heading in this program? I appreciate, Mr. Chairman, that the witnesses certainly cannot foresee government policy or the planned program of any particular government. But certainly through the activities that are going on today they must have some idea of what the over-all plan, as conceived at the departmental level, is in this regard.

Mr. BARRY: I can appreciate that, with the interest of various agencies in a similar resource, this does suggest the possibility of duplication. I would like to suggest that it probably is more one of an apparent duplication where it may exist because of these varying responsibilities or varying authorities than in actual fact. I suppose the Department of Resources and Energy, the new department, would from a national standpoint, be the prime committee and agency in resource developmnt, including water. I mean I think this would be accepted. I would not think that this would necessarily impinge on the specific area of PFRA interest of engineering for water supplies for agriculture for western Canada. PFRA's operation, of course, has involved planning, but it has also involved to a large extent actual engineering and supply of water rather than the total area of resource planning as such. Again ARDA was conceived to some extent to provide nationally what PFRA historically has provided in the specific area of western Canada. But I am not aware, and Mr. Fitzgerald can correct me on this, that ARDA has specifically become involved in water projects in western Canada? Am I completely correct on that?

Mr. FITZGERALD: Except for the area of drainage projects.

Mr. BARRY: So that while looking at their respective authorities one may say that there is duplication here; In fact, it just does not work that way. I think we each take the field which, historically or by statute, is ours, and I suppose by this very illogical human process avoid anything in the way of serious duplication. Now, what PFRA's long term role may be, it is difficult to forecast, actually. Certainly, I would expect, in the total area resource planning, as I have said, the Department of Resources and Energy would be the prior

Canadian agency nationally, on a national basis. But giving as a personal opinion, I would not expect that PFRA's historical place in water development in western Canada would be altered greatly.

Mr. DANFORTH: Mr. Chairman, I am quite interested in the remarks as I was in the remarks of Mr. Jorgenson and Mr. Horner this morning. It is my personal opinion that the Committee itself must be very much more concerned about this national resource of water than perhaps it has been in the past and that it should avail itself of the opportunity of making definite recommendations along this line.

Now, I have found in my experience, especially in the Department of Agriculture, when departmental responsibilities are changed back and forth, that much too often, we lose not only the personnel with the definite experience and the ability, but we lose sometimes years of experience that is invaluable. I think that perhaps the time has come, when there is this tremendous interest in the conservation, especially of water, and clean water, for the Committee should make definite recommendations to see that an agency such as this does not in fact lose its identity but is extended in scope and responsibility to look into this entire question. I just feel it is unfortunate indeed, Mr. Chairman, that this type of approach, where men have the experience of dealing with areas, this type of influence, has not been extended eastward into Ontario and Quebec where we are just now becoming acutely aware of the fact that we may be faced with some of the major problems that the west has been fighting for years.

This is the basis of the questions I have been asking in regard to the future of PFRA. I feel that this Committee should definitely go on record as not only supporting this work, but expanding it as was projected this morning. Certainly human resources should be placed on at least an equal category with the production of livestock and forage in all these considerations. It is my opinion that the Committee will take a careful look at this entire picture before a recommendation is made to the government in this regard. I pass, Mr. Chairman.

Mr. HORNER(*Acadia*): The paper says you operate six irrigation projects. I take it from this you maintain the irrigation canals, the dikes, and so on, every year.

Mr. FITZGERALD: Yes.

Mr. HORNER (*Acadia*): These projects are not self-sustaining by any means, are they, or am I wrong?

Mr. FITZGERALD: No. We are still in a deficit position. However, every year we are raising the rates for water by 25 cents per acre foot to get them up to a figure of $2.50. This we are quite sure will cover our cost of operations.

Mr. HORNER (*Acadia*): That is $2.50 per acre?

Mr. FITZGERALD: Per acre foot, yes.

Mr. JORGENSON: Do you retail this water to the individual farmer, or do you wholesale it through the irrigation district?

Mr. FITZGERALD: We wholesale it to the irrigators, sir.

Mr. HORNER (*Acadia*): The irrigation district.

Mr. FITZGERALD: The individual irrigators in this case, because there is no district. When the rates are sufficiently high so that the project itself will be self-sustaining, at that particular point we hope that the farmers will organize into a district and take over the project.

Mr. JORGENSON: Are there not various irrigation districts in southern Alberta?

Mr. FITZGERALD: In southern Alberta, yes, I thought you meant the ones in Saskatchewan.

Mr. HORNER (*Acadia*): I am talking about the six projects in Saskatchewan.

Mr. FITZGERALD: No, they are not organized as irrigation districts as yet.

Mr. BARRY: Excuse me, may I just add that in the case of Alberta we do wholesale it, Mr. Jorgenson.

Mr. HORNER (*Acadia*): Mr. Fitzgerald, you said you are not aware of any other project or any other areas in which there was a scarcity of winter feed and a supply of water, and I could not let that go unchallenged.

Mr. FITZGERALD: Well, readily available, I said, I think.

Mr. HORNER (*Acadia*): Well, you might have added readily available. I would like to bring to your attention that there is a vast area in east central Alberta that essentially has a scarcity of winter feed. In fact, two years ago we had one of the worst storms and winters we ever experienced and a lot of feed was shipped into the country. A lot of cattle were lost, too, because of the scarcity of feed. I would not say the country was completely without water. P.F.R.A. have done a tremendous job; we have got some of the creeks dammed up, and there are some irrigation projects in the area because of assistance from P.F.R.A., but P.F.R.A. does not really operate any irrigation district, or any irrigation project in the area. I would hope that in your studies and searches for areas that this area in particular is kept in mind because the winter feed necessity is there and the water is there and the land is there, and if we could just get the three of them together with the right amount of cattle, I think it would be a great deal better.

The CHAIRMAN: If I may say, Mr. Horner is amongst the cows!

Mr. FITZGERALD: Mr. Horner, I think there has been a significant increase of small irrigation by farmers themselves on their own dugout or a small dam in the area. I was thinking more in terms of expansion of irrigation districts as such.

Mr. HORNER (*Acadia*): This is what I was thinking of, too. Actually, I hope we are irrigating at home right now, today. I have a small dam the P.F.R.A. gave some assistance on many years ago, but this is what I was thinking too. I was quite interested in the fact that you operate six projects in Saskatchewan and, actually they are small projects, they must be to total only 25,000 acres. There is an irrigation project, not too far from where I live; but there is room for many more, if we could, as I say, just get the water, the land and the feed resources together, and with enough finances. With reference to a dam or

reservoir water, Mr. Fitzgerald, is P.F.R.A. responsible for the damage to the land they flood?

Mr. FITZGERALD: As a result of constructing a reservoir?

Mr. HORNER (*Acadia*): Yes.

Mr. FITZGERALD: Yes. Part of our cost, of course, is acquiring land to eliminate the possibllity of our being responsible for damages for flooding. So the answer to that question is that we always acquire enough land in further reservoirs to ensure that we will not be subject to any damages. Invariably we lease back the land that may be flooded to the farmer from whom we purchased it so that if it is farmable in any particular year it will be farmed.

Mr. HORNER (*Acadia*): There have been continuing complaints around the one particular project called the Carlside dam, and I just bring this up as an example, I just wondered whether this had been fully dealt with. I do not suppose you recall the complaints as this was a number of years ago, but I do not think they were ever settled to the satisfaction of the farmers, but as I say I am not going to pursue this argument as long as I know who was responsible for it, and the P.F.R.A. are actually responsible.

Mr. FITZGERALD: We are responsible up until such time as we turn the project itself over to the province.

Mr. HORNER (*Acadia*): Oh, this is the key. This project is turned over to the province now.

Mr. FITZGERALD: Well, if it is, if there was flooding as a result of our works, it should not have been turned over to the province until this problem was resolved. I was not aware that there was damage at the Carlside. Is this where they got the new spillway two years ago?

Mr. HORNER (*Acadia*): Yes.

Mr. FITZGERALD: The new spillway may—

Mr. HORNER (*Acadia*): No, not because of the new spillway, but because of the dam itself built nearly 20 years ago.

Mr. FITZGERALD: That is right. The new spillway is the solution to the problem, is it not?

Mr. HORNER (*Acadia*): Oh, yes, I know. I have no real complaints about the new spillway. I do not know of anybody who has. I will forego any further question, Mr. Chairman. I think the witness has been very fair and we have had a pretty good go this morning.

The CHAIRMAN: Has anyone else any further questions, then?

Mr. DANFORTH: I have two further questions. I was quite interested this morning when I asked about the development end of project studies on the expanding of production of forage, and one thing and another. I think the evidence was given that there was a study in process called the Nelson-Saskatchewan study, that involved that entire area. Was that my understanding?

Mr. FITZGERALD: Yes.

Mr. DANFORTH: May I ask some questions based on this. Who initiated this study? Is this under the resources board, or is it a joint effort between the resources and the province, or who initiated this study?

Mr. FITZGERALD: The study was initiated, Mr. Danforth, by the prairie provinces water board. This is a board which consists of a chief engineer from each of the provinces, plus a senior engineer from the Department of Energy and Resources and myself as chairman. Our responsibility is to allocate the waters that flow between provinces in the prairies to various projects. Now, in the course of allocating water to irrigation, for example, in Alberta, we knew that demands for water for irrigation, municipal supply, and this type of thing, are bound to increase and we did not have any real good information with respect to the total quantity of water that may be available in the basin itself; either through upstream storage or through diversion works, and this type of thing. So we recommend as a board to the four governments involved that a comprehensive study should be made of the potential supply of water in the basin, and it is the governments acting on this recommendation of the board that has resulted in their approving this Saskatchewan-Nelson basin study which we hope will be under way fairly shortly.

Mr. DANFORTH: Is it under the jurisdiction of the board or under whose jurisdiction is the study being made?

Mr. FITZGERALD: Well, the ministers concerned decided that we should establish a different board to handle this study. The prairie provinces water board is merely an advisory type of organization to governments. It is not as such involved in this type of study. The decision was made that for this type of study a separate board should be established.

Mr. DANFORTH: Are you familiar with the composition of the actual board making the study? My interest is in the degree to which the P.F.R.A. personnel are involved, with their experience. This is what I am trying to get at. This board is naturally doing the study. Is it composed of men, engineers, from the P.F.R.A., or men who are familiar with this type of work, or private geologists, or hydrologists, or what is the composition of the actual board doing this study?

Mr. FITZGERALD: Well, the board will consist, as I mentioned, of representatives from three provincial governments, energy and resources and agriculture. The ministers made the decision that the headquarters of the board would be located in P.F.R.A., assuming as the Department of Agriculture's contribution, P.F.R.A. would make available all its records and indeed some of its staff, as would the federal departments as well as the provincial government. Much of the work, much of the study itself, the topographic study, the various hydrometric studies will have to be carried out probably by private concerns.

Mr. DANFORTH: Certain specific fields.

Mr. FITZGERALD: That is right, yes.

Mr. DANFORTH: As I understand this, then this board is under an advisory board of which you are the representative from P.F.R.A.? Am I correct in that assumption?

Mr. FITZGERALD: The actual people to the board have not as yet been named. The decision has been made, but there will be one representative from

the Department of Agriculture, presumably from P.F.R.A., one representative from the Department of Energy and Resources and one representative from each of the three prairie provinces.

Mr. DANFORTH: Mr. Chairman, the actual workings of the study have not yet actually got under way?

Mr. FITZGERALD: Not yet, no.

Mr. DANFORTH: The whole thing is just in its conception stage at present.

Mr. BARRY: In the organizational stage. As for the board itself, the Saskatchewan-Nelson study board will not itself do the actual study work. They will allocate it out. Some will be done probably by P.F.R.A., naturally, some by private consultants. They will determine what work needs to be done, what present data are available from various sources, how these can be supplemented and how to get supplementary work done. So this will be the board's broad—

Mr. DANFORTH: The report will be made back to the four governments concerned.

Mr. BARRY: That is right.

Mr. DANFORTH: Have you any estimation of how long this study will take?

Mr. FITZGERALD: We estimate it will take three years and will cost something like $5 million to do.

Mr. DANFORTH: For the entire study. This will include the three provinces?

Mr. FITZGERALD: That is right.

Mr. DANFORTH: Thank you Mr. Chairman.

The CHAIRMAN: Thank you, Mr. Danforth. Are there any further questions?

Mr. FORBES: Could I ask a question in connection with the Shellmouth dam. I visited the lookout area a week ago last Sunday. There were quite a number of people there; probably 25 or more drive up to this lookout to look over and there is nothing to see except some dirt they are putting in for the base of the dam. I was wondering if you could have a directory up there indicating some dimensions of the dam, and this type of thing, as a source of information for the people who go up to look it over. If I recall correctly, you had such a board at the Saskatchewan River dam.

Mr. FITZGERALD: Yes, Mr. Forbes. Included in the budget for this year are directional signs, for example, at all major highway junctions pointing the way to the dam. If I remember correctly, we are also doing something in the way of having an observation point fixed up at the dam site.

Mr. FORBES: There is one. But there are no directions. You go up there and it is absolutely bare, and there is no board indicating any dimensions of the dam, or anything else about it.

Mr. FITZGERALD: I am quite sure that provision is being made for that board for this year.

Mr. FORBES: That is a good thing because a lot of people are interested in it. Could you tell us something about the progress that is being made on it and the possible completion date?

Mr. FITZGERALD: The completion date for the dam is the early summer of 1968. The bulk of the work will be done by the fall of 1967. Our timing on this is related to the diversion works that Manitoba are building from the Portage into Lake Manitoba, and the scheduling is for both of these projects to be completed in 1968.

Mr. FORBES: Thank you.

The CHAIRMAN: One thing that I wanted to ask a question on and I have not figured out in my mind yet was this morning I think you said, Dr. Barry, that you were considering exploring for underground sources of water. Did you mean you would be drilling for water? How far has this gone?

Mr. BARRY: The question I think, Mr. Chairman, was whether as a P.F.R.A. policy we would financially support the drilling of farm wells for underground water supplies as an alternative to dugouts in areas where dugouts do not quite serve the purpose. There are areas where dugouts do not quite serve the purpose. My reply, sir, was that this was now under consideration. We have not yet reached finality of the decision on it, but this was the point.

The CHAIRMAN: You mean you would contribute a similar amount of money that you would to a dugout?

Mr. BARRY: This is the principle of the proposal, yes.

The CHAIRMAN: One other thing, at the bottom of the estimates on page 37, it lists the expenditures for 1963-64, 1964-65, estimated for 1965-66, and then it estimates the revenues. Is this what the federal government spends?

Mr. BARRY: Yes, that would be federal expenditure, sir.

The CHAIRMAN: Then what they intend to get back is what they spend in the same length of time. If my figures are right they spent in those three years $69,840,417 and received back in estimate revenue $12,997,467.

Mr. BARRY: I think, sir, that this would have to do primarily with the South Saskatchewan dam where 25 per cent of our expenses are recoverable from the province up to a total expense of $100 million.

The CHAIRMAN: Then your estimates for this year I notice are $28 million and then you added $19 million for 1966-67. Is that on account of the Saskatchewan dam?

Mr. BARRY: That is probably because of the phasing out of the Saskatchewan dam. The South Saskatchewan dam in 1965-66 was $19 million and this present year it is $10 million; this is the primary reason there.

The CHAIRMAN: Then one other question on the distribution of personnel. It says Alberta, 234—this is on your chart on the back of your submission to the Committee—Saskatchewan, 882, and Manitoba, 91. How many of these people would be professional? Have you a breakdown on that?

Mr. HORNER (*Acadia*): Mr. Chairman, it is terrible the way you prolong this Committee.

The CHAIRMAN: I am trying to decide in my own mind how much pressure I should put to bear to try and convince the federal authorities and federal government that something like this should be done for eastern Canada.

Mr. HORNER (*Acadia*): This is another thing east versus west.

The CHAIRMAN: If you noticed in the House, Mr. Horner, the other night I said that our federal policy for agriculture should be more national than it is. It is obvious today from what you have said about what Alberta does and Saskatchewan does and Manitoba does, that there are different advantages and disadvantages in these three prairie provinces on account of the administration of the act in those areas.

Mr. HORNER (*Acadia*): That is only because Alberta—and I hope this does not go on the record—does not really need any votes. They have got them all anyway so they do not care a hoot about the farmer.

Mr. FORBES: Mr. Chairman, when the member from Acadia was speaking this morning about arrigating his farm from some water supply, I was wondering if that supply of water had been subsidized by the government.

Mr. BARRY: Mr. Chairman, there is a continuing establishment for P.F.R.A. provided in the current year of estimates of 1,210 positions; 135 of those are listed as administrative and professionals. Mr. Fitzgerald tells me that we have 120 engineers. There are 702 positions listed as technical, operational and service positions and 111 as clerical, and 262 as prevailing rate. That would be more casual labour.

Mr. FITZGERALD: That is right.

The CHAIRMAN: Thank you. No more questions then on P.F.R.A.? I think it would be good if this summons was printed as an appendix to our proceedings.

Moved by Mr. Horner (*Acadia*), seconded by Mr. Forbes, that the summons presented by the department be printed as an appendix to today's proceedings.

Motion agreed to.

I want to thank you very much Mr. Fitzgerald and Mr. Thisson for coming here today and explaining P.F.R.A. We appreciate this very much. Thank you.

We will now proceed with the health of animals division. On my immediate right is Dr. K. F. Wells, Veterinary Director General; Dr. Barry, Deputy Minister of the Department of Agriculture; Dr. W. A. Moynihan, Associate Director of Contagious Diseases Division, health of animals branch; and then we have three other officials from the department here. Dr. Julius Frank, Acting Director of Animal Pathology Division; Dr. C. K. Hetherington, Director of Meat Inspection Division and Mr. R. D. MacMillan, Branch Administrative Officer, health of animals branch. Of course Mr. Parker is still with us today, too.

Mr. DANFORTH: Mr. Chairman, is it the intention of Dr. Wells to give us a statement especially because of the public interest in animals like flying cats and one thing and another. Can we expect a statement as a preliminary to this Committee hearing?

The CHAIRMAN: Well, it could be a problem of spreading rabies, or other disease; we do not know what kind of an animal this is. It was reported in the press, but I do not know if it is proper in the Committee to discuss anything that is reported in the press or not.

Mr. DANFORTH: I think that we show due concern for the public welfare, Mr. Chairman, when we interrogate such men as we have here today who are in a position to know whether we are infested with flying cats or not. I think the housewives of this country, especially if they own personal pets, are very much concerned.

The CHAIRMAN: I could believe what you say has a lot of merit, Mr. Danforth, and I know that poultry people and other people that fence their livestock against predators, and flying cats, would find that fencing would be no protection against them.

Mr. DANFORTH: Maybe if he has some preliminary remarks, the doctor would like to deal with this subject. May I assure you if it is not answered now that it will subsequently be raised in great detail by the Committee.

The CHAIRMAN: Well, if Dr. Wells has any knowledge of this new species of animal, I am sure the Committee would appreciate it.

• (4.29 p.m.)

Dr. K. F. WELLS (*Veterinary Director General, Department of Agriculture*): Mr. Chairman, we have no specific knowledge with respect to the existence of flying cats. We have not certainly had any specimens presented to us. Biologically I think I would be prepared to say that flying cats do not exist in the true sense of flying; that one can sustain itself in air and direct its flight. I would suggest that there were no such things as flying cats. There might be cats wigh considerable experience and agility in making very long jumps such as the so-called flying squirrels which, in fact, cannot fly. This in all probability might be the explanation. It is assumed from the description of the so-called flying cats that in all probability they are cats which have had a rather difficult time; the hair is matted and as it comes out with the summer season and the heat, patches of it stick to the animal and look somewhat like appendages called wings, but there is some question if in fact they exist.

Mr. DANFORTH: Mr. Chairman, there was an indication that the department here in Ottawa had invited the proponents of this so-called flying cat to submit whatever evidence they might have to the department for study. Has this invitation been accepted? Will there be a preliminary study on the body that they have this animal at the present time?

Mr. WELLS: Well, we do not have any at the present time and we certainly have indicated our interest in having any of these animals delivered to us. According to the press statements one is to be delivered to the Kemptville Laboratory. On checking with the Kemptville Laboratory at noon hour none as yet has been delivered there and certainly none has been delivered to our Hull Laboratory up until noon hour.

Mr. DANFORTH: Mr. Chairman, is the doctor going to make any preliminary statement on the working of the department, or are we just to proceed with questions in this regard?

The CHAIRMAN: I would think if Dr. Wells feels that he should make any further statement at this time in conjunction with the statement that was sent to the Committee earlier he is certainly free to do so, but I would think if the Committee has questions we are ready for them.

Mr. FORBES: May I ask Dr. Wells if he has had any inquiries regarding this salmonosis outbreak that took place in Manitoba a couple of months ago, and if he has determined the cause of this outbreak; is it by ingredients in the feed such as bonemeal, or some other supplement? Would you care to give us a report on this thing? How far you have got with it?

Mr. WELLS: Yes, Mr. Forbes. The matter of the salmonosis outbreak in Manitoba has been very closely followed and examined by the Department. Examinations have been made of the various feeds which were used in the feeding of these cattle, and in the majority of cases there were salmonella found in the bonemeal. However, in all cases the salmonella found in the bonemeal did not in fact correlate with the type of salmonella which was found in the animals. Salmonella organisms are very, very common. There are roughly 875 to 900 types of them. They are everywhere and therefore one has to type out salmonella to establish the actual type of the organism involved in the disease outbreak and then correlate this type with the findings in the feed. There is a suspicion that the salmonella was introduced to bonemeal which is an understandable suspicion, because if salmonella had been in an animal which was killed and bonemeal made from it then, of course, there is the possibility that the bonemeal might well contain the organism.

Mr. FORBES: Is there any government compensation for animals that are destroyed with this disease?

Mr. WELLS: No, salmonosis is not a named disease under the Animal Contagious Diseases Act and the animals are not destroyed for salmonosis. There are cures, of course, and not all animals die.

Mr. FORBES: Are they isolated or quarantined for a length of time?

Mr. WELLS: No. The owner is simply advised with respect to treatment. Salmonosis under ordinary circumstances is handled by the private practitioners, but in a serious outbreak of this sort we, of course, naturally investigate.

Mr. FORBES: Is it regarded as a contagious disease?

Mr. WELLS: Yes, it is a contagious disease, or rather it is an infectious disease in the fine sense between infectious and contagious. In other words, one animal can be infected by picking up the infection from another.

Mr. HORNER (*Acadia*): Excuse me for a moment, Mr. Forbes. Does it get in the animal through a sore or a wound?

Mr. WELLS: No, normally through the mouth; orally.

Mr. FORBES: Would you say that there is no vaccine for it?

Mr. WELLS: No, there is no vaccine.

Mr. FORBES: You would say that the animal contact is in some way through the feed?

Mr. WELLS: Yes.

Mr. FORBES: Thank you.

Mr. JORGENSON: Mr. Chairman, the department of health of animals is divided into two main parts.

The CHAIRMAN: Mr. Jorgenson, you are not coming through the microphone, sir.

Mr. JORGENSON: They have the contagious disease division and the meat inspection division. What diseases come under the contagious disease division? Is it just tuberculosis and brucellosis?

Mr. WELLS: No, Mr. Jorgenson. All infections and contagious diseases come under the scope of the act. However, some of these, such as we just discussed, salmonosis, come under the scope of the act with respect to authority for operating if there is a very serious outbreak and some action must be taken which would not be done under ordinary circumstances. However, there is a list of named diseases under the act. In this part of the act named diseases means glanders, maladie du coit, dourine, anthrax, hog cholera, mange. Particular examples we have swine, sheep scab, rabies, scrapie, avian pneumoencephalitis, fowl pest, fowl typhoid, or such other contagious or infectious diseases as may be designated by the Minister for the purpose of this part. Now, these are the diseases which we consider to be sufficiently serious from an infectious and contagious point of view that we have standard procedures for operating.

Mr. JORGENSON: There is one particular disease that has of late been of some concern and that is the disease known as Johne's disease. Have you named this one as one that would come under the protection of this act?

Mr. WELLS: It is not named in the so-called named section, but it is dealt with under policy.

Mr. JORGENSON: Would you mind explaining that policy, Dr. Wells?

Mr. WELLS: The policy at the moment is a voluntary one, and this is based upon the fact that we do not have a really good diagnostic weapon. The first thing we need when dealing with a disease, of course, is a diagnostic weapon to establish the presence of the disease prior to the development of clinical symptoms, because at the stage where clinical symptoms are obvious then there is little that can be done in so far as eliminating or eradicating the disease because it is impossible to get ahead of it.

With Johne's disease our laboratories have been working for a number of years on a diagnostic antigen called johnin. With the development of this johnin we have established a voluntary policy which permits any owner in the country who suspects that he has Johne's to sign up under the voluntary Johne's policy. The herd is then tested; reactors are removed and compensation is paid to the owner for the removal of any reactors. The premises are cleaned and disinfected and again retested subsequently every 60 days until the herd is cleaned up.

Now, if or when the time comes when we feel that the johnin test has been developed to a totally satisfactory point, it will then be possible to move from the voluntary program into the full scale area program such as we have done in

the case of tuberculosis and brucellosis. These two programs developed the same way; first on a voluntary basis and then on an area basis.

In addition to the Johne's test there is being developed a Johne's vaccine which is considered to be quite successful if used in young animals, except that to date the Johne's vaccine has the disadvantage of interfering with the tuberculine test because Johne's in fact is caused by the paratuberculosis organism which is a rod-like organism similar to tuberculosis, and the use of Johne's vaccine then practically negatives to a great extent the tuberculine test. In addition to the fact that the vaccine is not yet completely perfected, it is rather awkward to suggest that it be used on a broad scale when it would make it difficult to continue with tuberculine testing.

Mr. JORGENSON: Could you tell the committee, Dr. Wells, what are the symptoms and effects of this particular disease?

Mr. WELLS: Well, in Johne's disease, the primary symptom is intermittent diarrhoea and temperature with an extreme loss of weight, and of course in the case of milk cows a lack of milk production, with ultimate death. What happens is simply that the animal will go into an attack of extreme diarrhoea and it may last for one or two days, and the animal will recover. A matter of months later it will start in and have a more severe attack and eventually the attacks become longer and closer together until the animal is down to skin and bone and ultimately dies.

Mr. JORGENSON: You mention that this program at the moment is on a voluntary basis. Do you have a full time staff of people working on this particularly? Do you have a competent man working on this particular disease right now, doing research on it?

Mr. WELLS: Yes, extremely so. As a matter of fact, the testing agent johnin has been developed solely in our animal diseases research institute and with all humility it is the best testing agent in the world today; prior to the development of johnin which has been produced solely from the paratuberculosis organism or the Johne's bacillus as it is called, Johne's testing has been conducted by a modification of the tuberculine organism because of the close relationship between the two, and this johnin was developed in our laboratory and we are of course continuing to use it. It has been used in experimental work in Britain where they are carrying out large johnin work and there it has proven more useful than any other antigen for the testing of Johne's disease.

Mr. JORGENSON: Tell me, is it a federal department that assumes responsibility for the testing of herds that have been applied for by individuals, or does that come under provincial jurisdiction?

Mr. WELLS: No, the Animal Contagious Disease Act is solely one of federal responsibility and this is done totally by our own staff.

Mr. JORGENSON: What happens in the case of a farmer who disposes of a herd in which there are diseased animals and does not apply for tests; in other words, attempts to dispose of them knowing full well that the herd is diseased?

Mr. WELLS: Well, nothing happens unless it were possible to prove that the owner in fact knew that he did have Johne's in the herd. Now, then, if an owner

knew that he did have Johne's in his herd and it could be proven and he disposed of them and disseminated the disease through that matter, then it would be a matter for the courts to decide whether he had wilfully deceived buyers. We have not had any of these cases, but when we were first into the brucellosis problem years ago there were a number of these cases that went before the courts.

Mr. JORGENSON: There is a course of action that can be taken—

Mr. WELLS: Civil action.

Mr. JORGENSON: Tell me, do you have any idea what number of vets that you are using to administer these disease control programs, brucellosis and tuberculosis throughout Canada?

Mr. WELLS: Well, not to administer those two programs solely, Mr. Jorgenson, because we do it on the basis of district and subdistrict operations; we have a total of 130 subdistrict offices all across Canada where there is a veterinarian in charge of each subdistrict, although we are of course as you know short of veterinarians; but we manage subdistrict offices with a veterinarian and this office then does our complete operations, contagious disease operations, within that subdistrict. Now, in the case of Ontario it amounts to one county or two counties, depending upon livestock population. In the west it is broken up of course by municipalities, depending again upon livestock population.

Mr. JORGENSON: One of the reasons why it is so difficult to get veterinary surgeons, apart from the fact that the facilities for training them have not been adequate, is the fact that a good many feed companies send their representatives throughout the country supplying growers with many of the drugs that are necessary in feed supplements, et cetera. The selling of drugs is a part of the operations of a veterinary surgeon. They find themselves in what I think unfair competition with many of the feed companies. Would you suggest that perhaps some legislation along these lines would be desirable?

The CHAIRMAN: The idea is to control this?

Mr. JORGENSON: Yes, to place greater control of the sale of these drugs in the hands of the veterinary surgeons themselves.

Mr. WELLS: This, Mr. Jorgenson, is an extremely difficult question to assess. While what you have said has to a considerable extent been true, generally speaking it is passing. It developed primarily in the poultry industry when there was a greater shortage of veterinarians than there is today and veterinarians, or the poultry industry, had not developed to the point where they could in fact sustain or did use veterinary services. This is rapidly changing, and while it is true that many feeds do today incorporate drugs primarily for the growth factor involved in some of the antibiotics, the actual selling of drugs by these people I think is diminishing.

How, the other side of the coin is, of course, that a number of drug stores do sell drugs to livestock men on the basis of their own diagnosis, and this I would think would be a greater source of, might I say, useless drug expenditure by livestock owners than through the feed companies today.

Mr. JORGENSON: One of the problems, as I see it, is that in many areas, because of the advice, sometimes improper advice, given to owners of flocks by representatives of feed companies—and this as you say is particularly applicable to poultry flocks and to hog operations, rather than to dairy or beef operations—in the first place flocks are being improperly treated, and it is only when the vet is called in at the last minute, and then it is too late, that he is able to diagnose correctly. Quite often, as I say, it is too late and he gets the blame because he was not able to save the animals. I think this is one of the reasons why you will find it difficult to get veterinary surgeons to move into large poultry producing and hog producing areas. They much prefer to go into the cattle areas where the likelihood of these operations are at a minimum. For this reason I was attempting to get your views on it, if you thought perhaps it might be desirable to get some legislation to offset this sort of thing and to encourage veterinary surgeons to move into the rural areas in greater numbers.

Mr. WELLS: With the gradual increase in value of livestock, veterinary services are being used more and more.

Mr. JORGENSON: This is very encouraging because I have not noticed it particularly in my own area. As you know, Dr. Wells, for several years now I have been trying to get the services of veterinary surgeons to move into that area and I have been unable to do so. Speaking of the training of veterinary surgeons, how far has the development of the college at Saskatoon progressed? I wonder if you would care to give us some idea just what courses are given? I understand there are some first courses being given there now.

Mr. WELLS: Yes, the College of Veterinary Medicine at the University of Saskatchewan in Saskatoon is well established. They had taken in last year the first two pre-vet years. This year they have moved into the first professional year. Now, the course consists of two pre-veterinarian years, which may be taken at many universities across Canada, and then you move into the four professional years at the University of Saskatchewan, in the veterinary faculty, and the first professional year is in. So that the first graduates will be coming out in the spring of 1969. There are roughly 31 or 32 students in the first year, so that there will be approximately 30, if none of them fall by the wayside, graduating in the spring of 1969 and they have reasonable temporary facilities at the moment.

They have started now to dig the hole to put in the foundation for the main building, and this main building will be completed in a matter of a year and a half, and they gradually intend to build up the intake to 60 per year instead of the present 30. So that in a matter of four or five years, it would be 1969, well, roughly in the early 70's, we hope there will be about 60 a year graduating from the Veterinary College in Saskatchewan.

Mr. JORGENSON: Are you finding any difficulty getting students?

Mr. WELLS: No, on the contrary there is an overdemand for places in the three veterinary colleges in Canada: the St. Hyacinthe Veterinary College in Quebec, the Ontario Veterinary College in Guelph, and the Saskatoon Veterinary College. The Saskatoon Veterinary College had approximately 100 applications from western Canada who could qualify, and of course it is only possible to accept a limited number. The same thing applies to the Ontario Veterinary

College where they have well over 100 applicants each year and have to sort them down to take in between 70, 75 and 80, with the hope of graduating 65.

Mr. JORGENSON: Mr. Chairman, I have some further questions on meat inspection. I was wondering whether you wanted to deal with this—

The CHAIRMAN: I would rather we dealt with it in order.

Mr. JORGENSON: I think it would be preferable if you dealt with it in this order and that is the reason I asked you. I forgo any further questions at this time.

The CHAIRMAN: Actually, Mr. Jorgenson went ahead of you Mr. Forbes.

Mr. HORNER (*Acadia*): I have a supplementary question.

The CHAIRMAN: I tried to be as fair as I could, Mr. Horner, when these hands all went up at once, and I knew you would not mind if the senior members of the Committee were picked first.

Mr. FORBES: I appreciate your consideration, Mr. Chairman. Dr. Wells, in describing the symptoms of Johne's disease it sounds very much like the symptoms of salmonosis. Now, then, suppose an animal dies with this Johne's disease can these rendering plants pick up the animal and process the bones and sell it as bonemeal?

Mr. WELLS: Yes, they can, sir.

Mr. FORBES: Would this not then be a source of infection for salmonosis?

Mr. WELLS: Yes, it is, sir.

Mr. FORBES: And there is no prohibition about this?

Mr. WELLS: Yes; well, I must qualify that answer. At the moment we have the majority of the rendering plants in Canada under constant inspection which includes the facilities and equipment to assure that they are properly processing their product and that there is no back infection. In other words, it is the progress of the product through the plant. Because when the product comes out of the rendering or cooking tank it has been cooked in order to remove the tallow, lard and fat from the bones and carcasses to the point that it is sterile. The problem here is to get it out into the market then without it becoming re-infected.

Now, because of the provisions of the Meat Inspection Act which permits the removal of condemned material from inspected plants to rendering plants which are authorized for that purpose, we have the majority of these rendering plants under constant inspection. In addition to that, we are in the process of developing regulations which will by the provisions of the Animal Contagious Diseases Act compulsorily bring all of the rendering plants under total licensed inspection.

Mr. FORBES: I take it that they are under the plant inspection at the present time, are they ?

Mr. WELLS: The majority of them, sir, yes, the large ones all are.

Mr. FORBES: But then there could be some little ones; now that could cause this whole problem.

Mr. WELLS: Yes.

Mr. FORBES: Why should they not all be under it?

Mr. WELLS: We are, sir, in the process of developing regulations which will require them to operate under the provisions of regulations under the scope of the Animal Contagious Diseases Act.

Mr. FORBES: Can you pass this legislation by order in council, or how do you do this?

Mr. WELLS: Yes, sir, by order in council, under the authority of the Animal Contagious Diseases Act.

Mr. FORBES: Thank you.

Mr. HORNER (*Acadia*): Mr. Wells, I would like to go over the importation of Charolais cattle quickly and briefly with you if you would not mind. To start with how many applications were there for the privilege to bring over Charolais cattle a year ago, or a little better than a year ago?

Mr. WELLS: I think, sir, the total was 67 applications.

Mr. HORNER (*Acadia*): This was the number accepted?

Mr. WELLS: It was 69, I am sorry. There was a total of 69 applications that came to us. This is individuals who applied, not the number of cattle.

Mr. HORNER (*Acadia*): I want the total number of individuals who applied.

Mr. WELLS: A total of 69 individuals applied for permits to import cattle from France.

Mr. HORNER (*Acadia*): They all were accepted?

Mr. WELLS: Yes, they all were accepted. Ultimately two of them declined in the final analysis—in any case, two declined I think and 67 permits were issued. Now, then, some of the cattle were lost in Brest quarantine station in France.

Mr. HORNER (*Acadia*): Were lost?

Mr. WELLS: The cattle were rejected because of tests.

Mr. HORNER (*Acadia*): What percentage of the cattle were rejected at Brest. Could you give us an idea?

Mr. WELLS: The total number of cattle presented on the French farms of origin for testing was 254. Cattle failing the tests on the farm of origin totalled 133. There were 41 of these that were rejected because they gave reactions to the foot and mouth test. Three were rejected because they gave brucellosis reactions; 66 were rejected because they gave leptospirosis reactions; and 23 were rejected because they gave Johne's reactions. This brought the total down to 133.

• (5.00 p.m.)

Now, then, the cattle which were eligible and entered Brest quarantine station were 121. Out of 133 which were eligible to enter the station—they could not all enter of course because of the permits; in other words, if people had a permit for three they were advised to select six in order that they could get their three. So that we ultimately ended up with 121 in the Brest quarantine station; 119 were put in by importers and two were put in by the French

Charolais Association as reserve. Now, out of that 121 that went into the Brest quarantine station, 11 failed tests in the Brest quarantine station. This was all F and M testing.

Mr. HORNER (*Acadia*): All foot and mouth?

Mr. WELLS: Yes. So that the number of cattle shipped from France totalled 110; 31 males and 79 females, or a total of 110, cattle left France proper. In addition to that, three cattle came from St. Pierre and Miquelon which made a total of 113 cattle entered Grosse Ile quarantine station on October 21, 1965.

Mr. HORNER (*Acadia*): This is very, very interesting, Dr. Wells. I never for one minute dreamed that the foot and mouth disease was that prevalent in France yet. We are informed in your article in your brief to the Committee on the importation of these cattle tells us that due to the favourable disease situation existing in France in 1965—

Mr. WELLS: And that is correct.

Mr. HORNER (*Acadia*): Yet out of 254 on the farms 133 were rejected I think was the figure you gave; 41 of those were foot and mouth and then a further testing made at Brest 11 more failed because of foot and mouth.

Mr. WELLS: This was not because of foot and mouth infection, this was because of foot and mouth antibody reaction resulting from vaccination of the animals. In France there is a law which requires vaccination of all calves when they reach six months of age. Now when Canadian buyers select calves—and this is why they must enter the Brest quarantine station at nine months of age or under—they simply take the owner's word for it in France that the animals have not been vaccinated. Now we use foot and mouth test both to ascertain whether the animals have virus and if in fact they have simple antibodies resulting from vaccination, and these were turned out not because of foot and mouth infection, but in fact because of antibody reaction resulting from vaccination.

Mr. HORNER (*Acadia*): I am certainly glad you explained that to the committee, Dr. Wells, because I would not want to be left with the wrong impression and I know the Committee would not either. With regard to the vaccination then, in fact you would then say that none of the cattle inspected were actually found to be carrying live virus of foot and mouth disease.

Mr. WELLS: Yes. In fact had any of the cattle, or any of the herds from which the calves were selected, had evidence of foot and mouth disease the cattle from that herd would not have been accepted. In fact, had foot and mouth disease developed within or been existent within an area of nine miles of the premises in France from which the cattle were being selected, those cattle would not be permitted.

Mr. HORNER (*Acadia*): There is foot and mouth disease over there, but we stayed out of those areas.

Mr. WELLS: Yes. And it is extremely limited.

Mr. HORNER (*Acadia*): Of the eight different varieties of foot and mouth disease, I think there are eight, has a successful vaccine been developed to cover the different viruses.

Mr. WELLS: Well, under normal circumstances in western Europe we see only three varieties A, O and C, and under normal circumstances they get only one type at a time. The vaccination is reasonably successful if carried out in a mass scale and all calves are vaccinated. Now, it becomes more difficult if one attemps to combine two types of vaccine in one; that is, A and O, then you only get a little bit more than half the protection than you would get, and if you combine the three of them, then of course you would get even less protection from each individual one. Therefore, the normal procedure is to vaccinate against the one which is normally expected in that area. This creates difficulties, of course, if there is an invasion of a different type.

Mr. HORNER (*Acadia*): Just to make it clear in my mind, are you suggesting you have difficulty when you combine the vaccine before it is put in the calf? Suppose we had three vaccinations done, we shot a calf full of three different vaccines, would this lower the effect of the vaccine?

Mr. WELLS: No; if it were put in, individually; that is, if A vaccine was injected and a matter of six weeks later O was injected and six weeks later C was injected, then they would get relatively high immunity from each one. But the immunity would have to develop in one to one before you could add another.

Mr. HORNER (*Acadia*): Oh, yes. There were 110 cattle that came over, and you have here 113.

Mr. WELLS: There were 113 cattle came over, 110 came from the Brest quarantine station and three came from Saint Pierre and Miquelon, a total of 113 entered Grosse Ile.

Mr. HORNER (*Acadia*): What was the story behind the three in Saint Pierre and Miquelon, were they brought over years previous, or what was it?

Mr. WELLS: Yes; about two and a half or three years ago a group of young calves were brought by private individuals from France to Saint Pierre and Miquelon which had never had foot and mouth disease, and they had been raised on Saint Pierre and Miquelon and there were three of these cattle brought in.

Mr. HORNER (*Acadia*): In the importation, does the importer pay all the costs of Grosse Ile?

Mr. WELLS: The importer pays the total costs of care and feed of the animals.

Mr. HORNER (*Acadia*): Care and feed; but here again we see no bookkeeping expense for the cost of investment charged out to the—

Mr. WELLS: No; last year there was no cost, no capital cost with respect to quarantine facilities. This year we have added the capital cost with respect to facilities.

Mr. HORNER (*Acadia*): Your facilities were at 100 per cent capacity? Am I not right on that?

Mr. WELLS: Yes they were. In addition to the 113 head of cattle at Grosse Ile, of course, imported cattle, we have to have test cattle, test swine and test sheep, and this adds to the total number of livestock in the station.

Mr. HORNER (*Acadia*): The veterinary costs that were covered were all absorbed by the federal government, too; the inspection, and this sort of thing.

Mr. WELLS: Yes, with the exception of any charges for outside testing which we had to have done.

And in this case in the last year's importation there was no such testing.

Mr. HORNER (*Acadia*): Who does the testing?

Mr. WELLS: Well, we do not maintain the virus of foot and mouth disease in Canada at any of our laboratories and, therefore, in order to carry out some of the complicated foot and mouth tests, where live virus is needed to do the tests, we have this done at the Foot and Mouth Research Institute at Pirbright, England. In the case of blue tongue, the testing was done at the Onderstepoort Research Laboratory in Onderstepoort, South Africa.

Mr. HORNER (*Acadia*): Then, it would be safe to say, and I have heard it said by a number of people, that to some extent the importation of Charolais cattle was subsidized by the Canadian taxpayer. I was always under the impression that the importer covered everything, but apparently he has not.

Mr. WELLS: I would say that has not been the practice for the last 40 years.

Mr. HORNER (*Acadia*): Even when importing British breeds.

Mr. WELLS: That is right.

Mr. HORNER (*Acadia*): This will include all types of livestock, not only cattle.

Mr. WELLS: That is right.

Mr. HORNER (*Acadia*): But this year you have a change of policy and you are going to have a built-in cost into the charge?

Mr. WELLS: That is correct.

Mr. HORNER (*Acadia*): This is on everything; cattle, hogs, sheep, horses, everything that is imported?

Mr. WELLS: No; at the moment this capital cost charge has merely been applied to the Grosse Ile maximum security quarantine station, because of the extreme additional costs involved to the department of building and maintaining a maximum security station in comparison to our normal quarantine stations at Saint John, New Brunswick and Levis, Quebec.

Mr. HORNER (*Acadia*): Now, there is quite a bit of importation of cattle into this country from areas not subject to foot and mouth disease. Do they not have to go through the maximum quarantine station?

Mr. WELLS: No; Mr. Horner, they go through either Saint John, New Brunswick, or Levis, Quebec.

Mr. HORNER (*Acadia*): And therefore the expense is a lot less?

Mr. WELLS: Yes; and they are quarantined only for one month.

Mr. HORNER (*Acadia*): You know as well as I do we have had a great deal of complaints about the importation of these cattle because of the American influence, shall we say, in the whole operation. There was a story reported in

the Calgary *Herald* about the first of June. The whole expedition was written up when the cattle were allowed to move off Grosse Ile. It seemed that the Canadian Charolais Association was not informed, or was not very well informed about a proposed showing of the cattle in Quebec city; that the Americans knew more about it than the Canadians. Have you any comment to make as to why or how this could have got out?

Mr. WELLS: Well, I have no comment, Mr. Horner, as to how and why this sort of thing developed when, in fact, the showing of the cattle, at Quebec city, following their release from Grosse Ile, was in fact organized by the Canadian Charolais Association. If they were uninformed, sir, they were uninformed about something they themselves organized.

Mr. HORNER (*Acadia*): Well, this article quotes Mr. Ivan Ohler of Claresholm, president of the Canadian Charolais Association, and it goes on to say "Texans get scoop", and they were not informed about the Quebec showing at all, according to the president of the Canadian Charolais Association.

Mr. WELLS: Mr. Horner, they were sufficiently informed to have organized a meeting of their directors for Quebec city at that time.

Mr. HORNER (*Acadia*): Well, I do not know anything about it. I just read the article and I thought it rather shameful that this should happen, and actually, Dr. Wells, I am pleased to hear you refute the statements written here because—

Mr. WELLS: We, in fact, offered to assist them—and we did assist them—with respect to the showing, but the showing was in fact under their auspices.

Mr. HORNER (*Acadia*): Mr. Ohler, I think, in this same article states that when he was finally given permission to go over to Grosse Ile, much to his surprise he found an American there first. Would you care to comment on or dispute that statement?

Mr. WELLS: Well, yes, in the first place Mr. Ohler, was in fact not on Grosse Ile. The representative of the Canadian Charolais Association, who was on the island at the termination of the quarantine, was Mr. Rodney James, the secretary treasurer. We took him to the island in order to assist us in the identification of the cattle, the loading of the cattle, and he came with them from Grosse Ile to Quebec city. There were two other gentlemen taken to the island, one Mr. John White, the agricultural commissioner for the state of Texas, who had called us and asked permission to visit Grosse Ile, because of some questions which he had been asked with respect to the adequacy of our quarantine facilities, and he asked if he could bring with him the chief quarantine officer for the state of Texas, and this was done.

Mr. HORNER (*Acadia*): This is perhaps where this article got its foundation. Texans were there.

The CHAIRMAN: It sounds like the article has the influence of Texans inside. It is built out of proportion.

Mr. JORGENSON: What influence would the Texans have? What interest would they have in what kind of a quarantine station we have in Canada? Do they purport to tell us what we should do?

Mr. WELLS: Oh, no; there is no question whatever about them purporting to tell us what to do. They were in fact interested in the type of quarantine station and the facilities that we had. Apparently they had been asked, some of their livestock men had asked them with respect to the facilities. There is some discussion with respect to whether Mexico should or should not develop a quarantine station, and the Texas people, I believe, and this is only what I have been told, were concerned with it. They were there merely as a courtesy to another government; just the same as if I or one of my colleagues requested permission to go into the quarantine station of the United States or any of the individual states, it would be granted immediately.

Mr. HORNER (*Acadia*): Yes, but this man was from the state of Texas. We could have had a request from 50 states, and each one of them have a representative there.

Mr. WELLS: Had such happened, I am sure it would have been differently organized.

The CHAIRMAN: There are about four people who have intimated they have supplementaries. Are you finished your line of questioning?

Mr. HORNER (*Acadia*): No I am not through Mr. Chairman. Would you like me to proceed?

The CHAIRMAN: I would think that this is would be better because I have a great big list of members here and probably every one is supplementary to the supplementaries that I am going to get.

Mr. FORBES: Could I have one short one to start with, just one?

The CHAIRMAN: I am trying to get this senior member, Mr. Schreyer, here.

Mr. HORNER (*Acadia*): Just a minute, on this senior member bit. He may be senior in age but not a senior member of this Committee. I have been on this Committee since 1958. He has not been on it one day longer.

Mr. RAPP: Yes, but he is senior in knowledge.

The CHAIRMAN: I am glad you said it, Mr. Rapp.

Mr. FORBES: Were some of these cattle purchased by United States citizens?

Mr. WELLS: To my knowledge, no sir.

Mr. FORBES: If that question had been put to me—

Mr. WELLS: Now, it depends entirely what you mean by purchased.

Mr. FORBES: Well, were there cattle in the consignment delivered to the United States?

Mr. WELLS: To our knowledge no, sir.

Mr. FORBES: I have been asked the question: Did the American government contribute to the veterinary cost of inspecting these cattle. That is the end of my questioning.

Mr. WELLS: As a matter of fact—

Mr. FORBES: Thank you.

The CHAIRMAN: Mr. Watson has a supplementary.

Mr. WATSON (*Assiniboia*): My supplementary is on the same subject. This article implies that some Americans belonging to the Charolais organization of the United States were up here. Is there any possible chance to determine whether the American Charolais buyers were in fact using some of the Canadian buyers' funds to import cattle with the direct intention that these cattle would end up in the United States?

Mr. BARRY: Mr. Chairman, may I interrupt at this point. Mr. Horner has been pursuing a line of questioning in connection with testing an operation at a station. We had fully expected, naturally, that the type of questioning that Mr. Watson is now pursuing would also come. If we go into that now, it may get into a different area than Mr. Horner at the moment is pursuing, but if you desire to get into that we could do it at this point.

Mr. HORNER (*Acadia*): Well, Mr. Watson and Mr. Forbes both jumped the gun on me. I laid the groundwork and they are stealing all the fun. Is that fair?

The CHAIRMAN: I would think Mr. Horner should be allowed to continue his line of questioning.

Mr. HORNER (*Acadia*): Actually, I was going to come around to the same thing as Mr. Watson and Mr. Forbes were talking about, but I wanted to clearly understand in my own mind the operation of Grosse Ile and just, in fact, how big a risk Canada took in bringing over Charolais cattle from a country with foot and mouth disease. I am certainly pleased with Mr. Wells' answers to most of my questions with regard to the operation of the inspection and quarantine station. We have reached the conclusion where we know that every precaution is taken in France. We have reached the conclusion, in my mind at least, that through the graciousness of the Canadian government many people who brought over Charolais cattle received to quite a degree support and subsidization by the federal government, with the setting up of the maximum quarantine station at Grosse Ile. Now, I would like to branch out a little further. Now that we have the cattle in Canada, are they subject to any further examination or testing, or watchover by your department?

Mr. WELLS: Yes, Mr. Horner; they are subject to 90 days quarantine on a farm in Canada mixed with Canadian cattle.

Mr. HORNER (*Acadia*): They can be mixed with Canadian cattle?

Mr. WELLS: They must be. There must be Canadian cattle with them, as exposure animals.

Mr. HORNER (*Acadia*): As exposure animals; 90 days?

Mr. WELLS: Ninety days, yes.

Mr. HORNER (*Acadia*): What is the period with regard to foot and mouth disease, is there a period in which incubation, or something, that the virus has to go through before an outbreak?

Mr. WELLS: Four to seven days is the normal incubation period.

Mr. HORNER (*Acadia*): Four to seven days?

Mr. WELLS: Yes. It could run longer but normally this is it.

Mr. HORNER (*Acadia*): So that 90 days is ample precaution in this regard?

Mr. WELLS: Yes, considering, of course, that they have been quarantined for six months already on Grosse Ile and have been subject to eight different foot and mouth tests a matter of 13 times.

Mr. HORNER (*Acadia*): I just wanted to assure myself on behalf of my constituents, of course.

Mr. WELLS: There were eight different tests for foot and mouth disease used and they were used a total of 13 times.

Mr. HORNER (*Acadia*): Now that we have the cattle here, actually through your department, Dr. Wells, you made no examination with regard to the applicant; it did not really matter whether he was a breeder of Charolais cattle, or whether he was a speculator on the stock exchange, or whether he was in the oil and gas industry, or what he was? It was the department's policy not to examine to importer to any real extent. In other words, we said "we will subsidize anybody; first come, first served." Am I right or wrong in that accusation?

Mr. WELLS: You are both, sir. When we were sorting out the applications last fall, we had some of the Charolais people into my office and went over them in order to sort them out, because obviously there were more applications for cattle than, rather the applications requested more cattle than could be accommodated, and therefore we went over the applications with the Charolais Association, and in practically all cases, as far as could be determined, they were livestock people.

Mr. HORNER (*Acadia*): When this subject was first raised, a question was placed on the order paper. I just bring this up as to show what I have had in my mind. Actually it was poorly organized and poorly advertised to begin with. The question on the order paper was: "How does one go about applying for an application to bring over Charolais?" and it was never answered in that particular session of the House of Commons. I only point this out to show you that it is proof to me that there was not enough precaution taken in screening the applicants and in advertising for proper and good applicants.

Mr. WELLS: Mr. Horner, may I first of all say you continue to refer to Charolais cattle. We do not concern ourselves with the breed of cattle. We are concerned with cattle. The quarantine station at Grosse Ile was not built for any one particular breed; it was not built for the benefit of any one particular livestock association, and the country of France was not cleared from the foot and mouth point of view for the benefit of any particular breed or association. It was merely cleared from the foot and mouth point of view for the importation of cattle.

Mr. HORNER (*Acadia*): I realize that, Dr. Wells; but I am just being perhaps a little more practical. I realize that in the years ahead we may want to have a desire to import something else from some other country that has foot and mouth or has some disease just as bad as foot and mouth, and a maximum quarantine station may have to be used. But I am concerned. As I say I am perhaps just a little more practical than you, I do not mean anything by that remark, particularly. You are a scientist and a doctor and could perhaps tend to

be a little further away from the actual operation of importing or operating cattle business. This just makes me a little more practical, I believe. I think that the quarantine station was evolved, its need was evolved because of the desire to bring over Charolais cattle. I have nothing against the Charolais breed. I think they are a good breed of cattle and I think they can add tremendously to our livestock industry here in Canada. But, I want to go back. I want to say to you again, apparently you had some of the Charolais people into your office to screen or in an attempt to screen the applicants to some degree or another. Were any rejected?

Mr. WELLS: None were rejected. As I recall it, in some instances, where people had put in, one family had put in more than one application, they said, realizing that there was of course a difficult decision to be made in sorting out the numbers for each applicant, "well now, these two applications represent one family and—"

Mr. HORNER (*Acadia*): Was any examination made from the point of view of whether or not these people were speculators or wanted to obtain foundation animals of the Charolais breed?

Mr. WELLS: With the exception I would think of two or three; they were known to at least one of the people there and recognized as being in the cattle business.

Mr. HORNER (*Acadia*): With the exception of one or two. I will paraphrase your answer perhaps in a different way so that I am clear. With the exception of one or two, then, most of the applicants were in the cattle business. Am I right?

Mr. WELLS: Yes.

Mr. BARRY: You said with the exception of one or two there were none of the people there who had been in the cattle business, did you not?

Mr. WELLS: Yes.

Mr. HORNER (*Acadia*): What did you say?

Mr. BARRY: With the exception of when I said one, two or three, I should have left out the one and said two or three, and I forget the exact number. They were known to one or more of the people, ourselves or the Charolais people who were there, as being in the livestock business.

Mr. HORNER (*Acadia*): You are familiar with the establishment of the Lacombe hog. I am just going to use this as an example. I am sure you are, Dr. Wells. In the relation of the Lacombe hog to the general public, was there not some reservation placed on who may obtain the first Lacombe boar, for example, and this sort of thing?

Mr. WELLS: The distribution of the original Lacombe swine was by lot and of course was restricted to Canadians just as the applications for the issuance of permits for the importation of France were restricted to Canadians.

Mr. HORNER (*Acadia*): Was it not restricted to R.O.P. breeders, or something like this, to the Lacombe hog?

Mr. WELLS: I cannot answer that precisely; it probably was, but I cannot answer that precisely, Mr. Horner.

Mr. HORNER (*Acadia*): Well, from my recollection it was.

Mr. BARRY: I think it was by lot actually, but they may have been sorted out on that basis in the first instance.

Mr. WELLS: I am sorry; I cannot answer that.

Mr. HORNER (*Acadia*): Now was there any thought by you, Dr. Wells, or by Dr. Barry, or by the Charolais people that you called in and examined, that perhaps we should have a similar provision with regard to the importation of Charolais cattle.

Mr. WELLS: Yes, in actual fact they felt that permits should only be given to members of the existing Charolais Association, and on a priority basis of the length of years that the applicants had been members.

Mr. HORNER (*Acadia*): But this suggestion was not followed?

Mr. WELLS: As I have explained, the regulations under the Animal Contagious Diseases Act for the importation of livestock are not written or based upon breed or societies getting preference.

Mr. HORNER (*Acadia*): It may have been a good idea, but you did not feel that it fell within your jurisdiction.

Mr. WELLS: Well, you are getting in, sir, to the realm of personal opinion.

Mr. HORNER (*Acadia*): Well, you said that it did not quite come under the health and Animal Contagious Diseases Act and I just interpreted; in other words you—

Mr. WELLS: There is no authority under the Animal Contagious Diseases Act to discriminate against breed or individuals.

Mr. HORNER (*Acadia*): But you are well aware, and I know Dr. Barry must have been, and the department must have been, that they were bringing in new seed—which it might be proper to call it that—into this country. I know that Mr. Forbes, a well established plant breeder, knows the procedure carried out when the Department of Agriculture releases new seed for plants. This is a very carefully distributed seed and it is given only to registered seed growers, and so on. What I am trying to say is was there any thought by you or the Department to do a similar thing with this new seed so that all Canadians might eventually receive the greatest or the maximum benefit from this new seed.

Mr. BARRY: I would like first, if I may, Mr. Chairman, to make a distinction between the instances that Mr. Horner has quoted with respect to Lacombe hogs and new seed varieties and the importation of livestock under the circumstances that we are dealing with here. With the Lacombe hog we were bringing out a completely new breed.

Mr. HORNER (*Acadia*): I beg your pardon?

Mr. BARRY: With the Lacombe hog we were bringing out a completely new breed. The distribution of that was done selectively at the first instance, and there were also some restrictions for a period of time in connection with the

export of that stock out of Canada. Similarly with a new seed variety which the Department has introduced. These have been distributed on a selective basis to elite growers, and there have been cases, there was in the case of Selkirk, a temporary restriction for a period of time on the exportation of seed there. This was a new development the department had made.

Mr. HORNER (*Acadia*): On the exportation of the seed there was.

Mr. BARRY: At Selkirk, this was right. This is a different circumstance. You may say, sir, I am being technical and that I am not practical but I want to make this point. We were dealing here with a circumstance which involved the importation of animals in which our only control which we were exercising was with respect to health status. This was the purpose, and the purpose of the quarantine station at Grosse Ile, to establish that these animals had a health status which would permit their entry into this country. It was a more extreme quarantine arrangement than had existed in the past with respect to the normal quarantine stations, but primarily it was still on all fours with it. The only function which the health of animals branch serves in its importation restrictions is with respect to the health status of animals. It clears the animals through the quarantine station when it is satisfied that they have complied with the health standards which they set up.

Mr. HORNER (*Acadia*): You stated, Dr. Barry, that this was the only control we were exercising.

Mr. BARRY: That is right, sir.

Mr. HORNER (*Acadia*): This is the point I am trying to make. Is it the only control you should have been exercising? In view of all the precedents with regard to seed growers and Lacombe hogs—

Mr. BARRY: I still draw a distinction, sir, between seed growers and the Lacombe hog and importation of cattle from abroad, where our responsibility is with respect to the health status of the animals before they enter Canada.

Mr. HORNER (*Acadia*): Were you aware at the time that Mexico did place, when they first brought over Charolais cattle, some restrictions on the export and the importation of them?

Mr. BARRY: Dr. Wells says that is not correct, sir.

Mr. HORNER (*Acadia*): Well, this article claims it is.

Mr. WELLS: When the original Charolais were brought to Mexico there was no restriction on them whatsoever.

Mr. HORNER (*Acadia*): Coming into Mexico?

Mr. WELLS: No, in going out of Mexico.

Mr. HORNER (*Acadia*): Going out of Mexico. Is there still no restriction?

Mr. WELLS: No. As a result of the times in Mexico, the genetic pool got down and was disseminated pretty badly and, in fact, intermingled with other blood; and when they realized that they had a limited genetic pool of Charolais blood in Mexico they got together all that was left of the relatively pure cattle

and collected them and put restrictions on the export of them, a matter of a few years ago, but otherwise there was no restriction on them.

Mr. HORNER (*Acadia*): This was a very good example, and perhaps maybe Canada should be learning from it. In other words, they place no restrictions to begin with and they found that because they had no restrictions they lost the initial value of the importation of these cattle and had to more or less regroup and place restrictions.

Mr. WELLS: This was because there was no way of replacing or augmenting the genetic pool.

Mr. HORNER (*Acadia*): You mean they could not import any more without setting up a maximum quarantine station such as Canada has done.

Mr. WELLS: Yes.

Mr. HORNER (*Acadia*): I am going to drop that particular phase of the question, with regard to the examination and the distribution of the seed. I think perhaps you know what I mean and I would like to hope that the Department is always open to consideration and review of this policy in the years ahead because it may not fall under the Animal Contagious Diseases Act, but it still falls under the Department of Agriculture. We are doing a service here of subsidizing the livestock industry. Let us receive, or let us give to the livestock industry of Canada the greatest and the maximum benefit it can achieve from this and I just hope that this policy is still under review.

Mr. BARRY: Mr. Horner, Mr. Chairman, may I just say that I think now we are arriving at an understanding of the position; that it does not lie within the prerogative of a veterinary animal contagious diseases control to say who can bring in what for what purpose. I grant you that there are other facilities which could be used for this purpose. I think if you understand this clearly that would perhaps clarify the point.

Mr. HORNER (*Acadia*): I just want to ask a few more questions, Mr. Chairman. You have been very good to me and I want you to know that I appreciate it.

The CHAIRMAN: I hope other members do not think that I have been too good.

Mr. NOBLE: I think the rest of us can go home.

The CHAIRMAN: I would say, that you are a way over the time limit, but seeing that you have been such a good member of the Committee I think we will bear with you a little longer.

Mr. HORNER (*Acadia*): Thank you. In the initial examination you and a few of the Charolais breeders had of the list of permit holders, did you make any examination with regard to the financial capability of maintaining and bringing over the cattle, paying for the costs of maintaining or bringing over?

Mr. WELLS: No, sir. When a man applies for a permit we can only assume that he know what he is doing. We did give him our estimate of the cost.

Mr. HORNER (*Acadia*): The onus is on him. In other words, any John Doe on the street could apply for a Charolais bull and then go across the line and say

"Look, I have got the application, how much is it worth to you?" Do you not think in the years ahead—and I am not condemning you or the Department particularly, but let us learn from our experience—do you not think that we should examine a little more closely the applicants worthiness before we subsidize them and help them in bringing over these cattle?

Mr. WELLS: In this year's importation, in our seeking supplementary information with respect to the application, we have added a supplementary statement re application to import cattle from France. These statements must be sworn to, "solemn declaration consciously believing it to be true and knowing that it is the same force in effect as if made under oath and by virtue of the Canada Evidence Act." The questions are: "one, do you now maintain cattle on a premises operated by yourself", with a yes or no box. As a matter of fact we have copies of these. Dr. Moynihan, could you pass them around?

Dr. MOYNIHAN: The committee would like to see them, Mr. Chairman?

Mr. WELLS: "Yes. Give location of the cattle premises."

"Number two: Do you intend to retain in Canada the cattle for which you are now applying for an import permit," with a yes or no box. "Question 3. If the answer to question 2 above is yes, do you agree that an export health certificate for these cattle will not be requested for a period of three years from the date of release from quarantine," with a yes or no box. Then, "please provide below a statement outlining the purpose for which these cattle are being imported into Canada."

Mr. HORNER (*Acadia*): This was the original form which they all had to sign?

Mr. WELLS: No, this is the one this year.

Mr. HORNER (*Acadia*): Oh, this is the one this year. In other words, you have placed the three year restriction on this year?

Mr. WELLS: No. We have asked them—

Mr. HORNER (*Acadia*): Oh, this is no restriction.

Mr. WELLS: We have asked them their intention, yes.

Mr. HORNER (*Acadia*): And what if they said "I do not know" to that, what would you reply?

Mr. WELLS: We must establish a priority list for issuing permits and the answers to these questions will in fact be a guide to us in establishing a priority.

Mr. HORNER (*Acadia*): In other words, you would prefer to have them stay in Canada. I can assume that.

Mr. WELLS: Yes, that is correct.

Mr. HORNER (*Acadia*): But all you really do is prefer to have them. You do not feel that the Department should make this one of the stipulations?

Mr. WELLS: There are sufficient who have agreed to, or answered yes to the questionnaire to more than adequately fill the station.

Mr. HORNER (*Acadia*): But what I am saying is you prefer to have them stay in Canada but you do not feel strongly enough about it to say they must stay in Canada.

Mr. WELLS: Well, not from a health point of view. You see, we operate quarantine stations at Saint John, Levis and now Grosse Ile, and we bring the livestock through these stations; we bring horses in from Europe which are not subject to quarantine, and a number of these are brought in and go to the United States. On the other hand, animals are brought in to the Clifton, New Jersey, quarantine station from such places as the Isle of Guernsey and the Isle of Jersey, and these animals are brought in through the United States quarantine station for the ultimate destination of Canada. And, in fact, many horses are imported into Canada via the United States. So that the interplay of quarantining facilities is based solely upon a health matter.

Mr. HORNER (*Acadia*): I realize Dr. Wells that perhaps it is a little bit out of your jurisdiction because you are solely responsible for the health of Animal Contagious Diseases Act, to place any restriction on what happens to these cattle after they get into Canada, other than from a health point of view. Certainly, I suppose, it would not be necessary to require that they remain on the farm for two years, rather than 90 days. I do not think that this could be a fair way of doing it, and perhaps it is more of a quality that should be evolved with the Department, I am pleased to see that you prefer to have them stay in Canda. I would like to see the Department make this one of their policies and one of their stipulations.

Mr. JORGENSON: Mr. Chairman, I have a point which is very relevant to this. What control could the government exercise in preventing a farmer in Canada, owner of one of these cattle in Canada, making arrangements with an American breeder to supply him with semen from that particular animal?

Mr. WELLS: None whatsoever, Mr. Jorgenson. As a matter of fact, already there have been demands for the semen in the United States.

Mr. HORNER (*Acadia*): This is true with regard to the semen, but it is hardly true with regard to the female side of the breed. You have been very good to me. I just want to ask one more question, Mr. Chairman, and then I will pass. I could continue on this for quite some time. Could you indicate, Mr. Chairman, whether we are going to sit tonight?

The CHAIRMAN: Yes, we are going to sit at eight o'clock.

Mr. HORNER (*Acadia*): We are going to sit at eight o'clock. Fine. I will be back.

What would you have to say, Dr. Wells, to the comment on this newspaper article about the American trucks at the scene and American trucks with a new Jersey licence on them trucking cattle away and so on and so forth. You know exactly where every one of these 113 head are now?

Mr. WELLS: Yes, sir.

Mr. HORNER (*Acadia*): And you really did not care whose truck trucked them away; whether it was an American truck or a Canadian truck, or who?

Mr. WELLS: Well, I did not supervise the loading of them on trucks.

Mr. HORNER (*Acadia*): No, no. I know you did not, but then the Department did not either?

Mr. WELLS: No, sir.

Mr. HORNER (*Acadia*): In other words, you are not disputing that fact. You probably know that the Americans are deeply interested and very well could have 100 per cent interest in some of the cattle Canadians brought over, and could have 50 per cent interest. As far as your Department is concerned, you made no real examination as to the possibility or the feasibility of this?

Mr. WELLS: No. Certainly we are not in the position to assess whether the man is obtaining the money to buy livestock, whether they be imported from France, or Britain, or from any other country.

Mr. HORNER (*Acadia*): This is why I suggested that perhaps you should in the years ahead take a little closer look at the financial worth of the man before you accept his application, and there should be some regulations brought in to be used as guidelines in examining all applicants.

Mr. BARRY: Mr. Chairman, I think that probably Mr. Horner's questions are getting around to a matter in which we are all interested at this point I am sure, having to do with the suggestions that some number of the Charolais cattle are going to wind up in the United States. I think that is the bald assumption. I do not wish to interfere with questioning, sir, but if at some point we could make a statement and advise you in this connection, I would appreciate the opportunity to do so. I do not know whether this is the point at the present time or whether the members wish to question further; it is immaterial.

The CHAIRMAN: Would that be O.K.?

Mr. BARRY: Well, I did not anticipate a prepared written statement, sir. I just thought in terms of discussing the matter here.

The CHAIRMAN: Right now?

Mr. BARRY: I think the circumstances under which permits were issued for the importation of these cattle have been outlined by Dr. Wells and are understood by members of the Committee. I should say it was in keeping with the normal procedure followed with respect to import permits for health purposes, except in this case we were faced with requests for more imports than the facilities could accommodate, so there had to be some reduction of the numbers requested.

Now, the suggestions that a number of these cattle had been purchased by American interests and are going to move to the United States of course have been made for some time. These suggestions have been made for some time. We did not lay it down as the conditions of import that the cattle were to remain in Canada. But, I would like to reaffirm on the part of the Department as a whole that Dr. Wells reserved as his point of view that we obviously would hope that these cattle would remain in this country; certainly any of them that are useful, in any event. There may be some that are not useful and it would not matter much probably where they wound up. Now, we have had these suggestions made to us over a period of time from various individuals that a lot of these

cattle are going to wind up in the United States, and we have tried to the best of our ability to verify the accuracy or otherwise of these statements. Let me say here, to interject, or revert for a moment, that while we, I think all, would hope that the great majority of these cattle would remain in Canada, the placing of restrictions on the movement of purebred cattle between this country and the United States under this type of circumstance does create a departure from the free flow of purebred stock which has existed between the two countries, and we would hope that we would not have to get to the point of arbitrarily restricting them. Indeed, there was a resolution which came in just recently from the Canadian Cattlemen's Association opposing restrictions on the exportation of purebred cattle from this country, in view of the precedent it would establish; the government getting involved in this type of control.

Well, as these reports have come to us, and as we have asked for specifics with respect to them, we have tried to check them out. I have to say as a generalization to start with that we have been unable to verify that any of these cattle are necessarily destined to the United States. We understand, purely from our own information, that there has been American money in some of the cattle. Just recently—recently, within the past month—a gentleman who is a member of the Charolais Association, whom I respect, called me personally and said, "This is getting serious; there are going to be a lot of these cattle go to the United States." And I said to him as Dr. Wells has said to others who have made the same statement, "well, can you give me some specifics, now whose are going?"

Now, I will try to phrase my next remark in a sense of not disclosing private information, although it may be related to a circumstance that some of you know him. One example which this individual gave to me was with respect to two Charolais bulls which have been purchased by an artificial insemination unit which is a Canadian branch of an American artificial insemination association. I was told positively that these two animals had been purchased by the American parent association and were to move to the United States. Dr. Wells has checked this out, not only with respect to the Canadian involved, but with respect to the American involved, and he has been assured by both parties, including the vice president of the organization in the United States that the animals were in fact purchased by the parent organization with American money, but that they were going to remain in Canada, to service the units here; the semen would go to the United States from them only if there was an excess to the Canadian requirements. And every case that we have had reported to us where specifics have been named have yielded the same result.

Well, recently, in view of these repeated rumours, we thought it desirable to get an attestation from each person involved. So we sent a wire, we sent a telegram to each importer of Charolais cattle in 1965, in this past season, to the 64 people involved, and we asked them specifically whether it was their intention to move these cattle to the United States, or would they remain in Canada? We have wires in return from the 64 people; with the exception of one individual who said that he had intended to move one animal to the United States, they have all denied any intention to shipping these animals south of the border. And this conforms with the information which we have secured privately. Dr. Wells has telephoned a number of these people privately who have been quoted to him as intending to ship animals to the states. They have

denied it to him personally. We now have the same answer from every individual concerned. We have the wires here.

Now, we realize that there has probably been some difference of point of view between the Canadian Charolais Association and ourselves with respect to one specific item, and that is with respect to whether or not the importation of these cattle should be limited to members of the Canadian Charolais Association. In this we have not concurred. But frankly, gentlemen, in view of what we believe to be honest information which we have received, both privately by telephone calls and Dr. Wells has called a number of the people concerned directly, in view of the telegrams we have received in answer to our specific request of intent, I am afraid we cannot come to any conclusion but that the purported intention of many people to export these cattle to the United States is incorrect.

Now, our information certainly supports the suggestion that there is American money involved. It certainly supports the suggestion that in some cases American interests have bought a portion of bulls and are going to take the semen to the United States. There was a rather feature story in quite a bit of the press and the press weeklies in connection with an individual in British Columbia who was reported to have made a rather profitable deal. That gentleman has assured us that these bulls are going into an insemination unit in British Columbia. Semen from them will go to the United States, of course. Now, I did not relay these facts frankly before you. We are faced here with agitation to put on controls on export, which we do not like to do, which are inimical to the long established position of the free trade in breeding stock between these two countries, on a suspicion, I suggest, or on, at least not so far as we can find, a verified judgment, or a verified knowledge, that there is going to be exportation of these animals from this country to the United States that the stories that are emanating from various sources would suggest. That is the statement I wanted to make. Thank you.

Mr. HORNER (*Acadia*): I would suggest we adjourn to 8 o'clock, Mr. Chairman.

The CHAIRMAN: In one statement it sounded like the article you were referring to—oh, I will not say the rest. We will adjourn.

Mr. WATSON (*Assiniboia*): Could I just ask one short supplementary, Mr. Chairman? It will just take a yes or no answer. Were there other breeds of cattle at the quarantine station other than the Charolais while this was on?

Mr. BARRY: No. Well, there were Canadian cattle.

Mr. WATSON (*Assiniboia*): Canadian cattle; but not other imported cattle?

Mr. WELLS: No. We had requests and questions with respect to other breeds, and we have again this year with respect to other breeds from France.

The CHAIRMAN: The committee is adjourned until 8 p.m.

EVENING SITTING

• (8.00 p.m.)

The CHAIRMAN: I will now call the meeting to order.

I am going to continue with the list which I had before, and the first member on this list is Mr. Schreyer. Do you have a question? We did not get to you before, but now your name is first.

Mr. SCHREYER: It has been said that the program at the veterinary college at Saskatoon is well into its first phase, but I understand there has been a cut-back, or a termination, in the construction programming there. Would you know if this is so?

Mr. WELLS: No, I am not aware of this, Mr. Schreyer. I was talking to Dr. Smith, the dean of the new faculty of veterinary medicine, either yesterday or the day before on the telephone, and he told me they were digging the hole for the foundation and going ahead full steam.

Mr. SCHREYER: Therefore, these rumours are unfounded, as far as you know.

Mr. WELLS: As far as I know, yes. He did not say anything to that effect. He said things were going along very, very well. They are now digging the hole for the foundation and things are going ahead well. He seemed quite happy, as a matter of fact.

Mr. SCHREYER: Those are all the questions I have at the moment.

The CHAIRMAN: Mr. Noble, you are next.

Mr. NOBLE: I have one related question, Mr. Chairman. I would like to ask Dr. Barry this question: Will these Charolais cattle make any significant improvement to the beef production in Canada, or is this a professional promotion by which the promoters hope to make some large quick profits?

Mr. BARRY: I would like to pass that question—the first part of it, in any event—because we have no brief for or against Charolais cattle. If people want to bring them into this country, and if they can be brought in under terms of veterinary control that satisfies us that there is no disease risk in introducing them, their introduction and their subsequent promotion becomes a private matter.

With respect to the second part of your question, about their being introduced for speculative profit, I suppose that any one who buys anything hopes to make a profit out of it.

At the conclusion of this afternoon's meeting when, as Mr. Horner said, the witness took all the time, I tried to give our understanding of the extent to which anyone may have had in mind a profit out of these by sale out of the country. What may be the situation, profitwise, in their sale in the country, or the sale of semen in the country, again I could not say; I do not know.

Mr. NOBLE: I have a further question I would like to put to Dr. Wells.

What is the federal government's responsibility in respect of the health of fur animals on ranches in Canada?

Mr. WELLS: We have no regulations under the Animal Contagious Diseases Act involving fur-bearing animals in Canada.

Are you speaking now of ranching fur operations, Mr. Noble?

Mr. NOBLE: Yes.

Mr. WELLS: No; we do not have any involvement in these, except that if problems come up then the facilities of our diagnostic laboratories are, of course, available for assistance in diagnosis and in research projects with respect to difficult diseases.

Of course, we do control imports in requiring healthy animals to be brought into the country, and we certify for export.

Mr. NOBLE: Mr. Chairman, I would like to follow that with a further question: Owing to the fact that we have been able to develop vaccines that have been successfully used for the protection of distemper and virus enteritis, what are the possibilities of your department coming up with some research work with respect to aleution disease which we find we have not been able to deal effectively so far?

Mr. WELLS: Perhaps Dr. Frank could answer that.

Dr. JULIUS FRANK, (*Acting Director, Animal Pathology Division*): We have had our Dr. Gray working on aleutian disease or plasmacytosis and we are still doing some work on this condition.

Mr. NOBLE: Do you think that there is a possibility of coming up with a vaccine that would give as protection?

Mr. FRANK: That is rather difficult to say right now. They first have to isolate the virus and make sure that we can grow it and reproduce the disease with it before we can think of a vaccine. I do not think it has reached that stage yet.

Mr. NOBLE: I would presume that you people have been keeping in close touch with developments in the United States and the work they have been doing?

Mr. FRANK: Yes.

Mr. NOBLE: And would this also apply to what they have done so far?

Mr. FRANK: I do not think there has been any more progress south of the border than there has been here. There is a lot of give and take back and forth on information, and I think the level of knowledge is about the same.

Mr. NOBLE: That is all I have to say.

The CHAIRMAN: Thank you, Mr. Noble.

Mr. Forbes, you were on the list before we adjourned for supper.

Mr. FORBES: I appreciate that very much, as a senior citizen of the committee.

Could you tell us how much per head they pay for these bulls and the Charolais cows in France?

Mr. WELLS: No, Mr. Forbes; I cannot tell you. This, of course, is a matter of private treaty between buyer and seller in France.

Mr. FORBES: Have you any idea, or can you make a suggestion?

Mr. WELLS: Yes, I would think, perhaps, that the female have averaged $1,200, or maybe $1,500. The bulls have gone up, as I understand it, to $5,000 or $6,000, and according to the press reports one bull is reported at $10,000.

Mr. FORBES: Thank you.

Mr. SCHREYER: I would like to ask Dr. Wells whether, to his knowledge, the federal Department of Agriculture has bought any Charolais bulls for any purpose whatsoever from any of the importers?

Mr. WELLS: No; the Department of Agriculture have not imported any of the bulls, nor to my knowledge do they own any, or any part of any.

The CHAIRMAN: Of the imported ones?

Mr. WELLS: Of the imported ones, yes.

The CHAIRMAN: Do they have Charolais cattle in any experimental work?

Mr. WELLS: Mr. Chairman, may I ask Dr. Barry?

Mr. BARRY: I think we have some Charolais cattle at many of our stations for cross-breeding work.

Mr. SCHREYER: That is in Alberta?

Mr. BARRY: That is in Alberta. I am not aware of any at any other place, Mr. Schreyer. I could ascertain this for you, but I think this is right.

Mr. SCHREYER: I would very much like to know where these were acquired.

Mr. BARRY: Any that we do own?

Mr. SCHREYER: Yes.

Mr. BARRY: We will ascertain this, Mr. Schreyer.

Mr. WELLS: It is my understanding that the research branch of the department will be acquiring semen for their cross-breeding experimental work.

Mr. DANFORTH: Mr. Chairman, I think what is of concern to most of the members of this Committee is the publicity that was given, which might have affected the importation of our beef products into the United States. I notice in this preliminary report which was given to us, the statement was made which I would like some amplification on, if I may, where it states that contacts were established only after considerable deliberation with our own specialists, as well as authorities from the United States and Britain. When you speak of authorities from the United States and Britain, may I ask if this was in the technical field that this exchange of information took place only, or were the United States and British governments kept aware of the Canadian intent and we kept advised of the step by step process. What was the situation there?

Mr. WELLS: The primary discussions were, of course, with respect to the technical aspects of the importation. We, in Canada, do not conduct research on foot-and-mouth disease for two reasons. Firstly, we prefer not to have the virus of the disease in Canada; and, secondly, there is so much research work being done by Pirbright Foot and Mouth Research Centre in Britain, which is considered the best in the world, and also by Plum Island in the United States Foot and Mouth Research Centre, that it would be a duplication on our part to attempt to do research work in foot-and-mouth disease. Therefore, the primary discussions were with respect to technical matters.

The second part of your question: Yes, both the United States and the British people were kept fully informed, of course, with regard to the technical steps which we were taking to safeguard against the introduction of the disease.

Mr. DANFORTH: May I ask if, at any time, the United States authorities, or those connected with the government of the United States, did, in effect, inspect these premises and satisfy themselves on the measures we were taking, or did they wait until this was concluded before they made any estimation of the methods that we were employing?

Mr. BARRY: Mr. Chairman, Dr. Wells has indicated our discussions with the United States were at the technical level. They were also at the administrative level, in the sense that the United States Department of Agriculture were concerned with animal disease controls.

You may recall that when this project was first proposed there was some considerable publicity in the United States and some suggestion by cattlemen there that these imports should not be permitted. The United States administrative authorities were satisfied that the control measures which were followed, and which were developed in consultation with their technical people and with the British technical people, were such as to involve no risk of the importation of disease into this country.

We had a veterinarian in France examining these cattle on the farms from which they were purchased, and he was accompanied by a veterinarian from the United States department. Further, I may say that we made our facilities at Grosse Ile available for the Americans to have a veterinarian there through the whole quarantine period, which they also did.

Mr. DANFORTH: Am I to understand that the Americans did follow it through step by step, and did I hear correctly that you stated that the Americans themselves provided a veterinarian at Grosse Ile so that they could observe for themselves—

Mr. BARRY: As an observer; to satisfy themselves that the procedures which were laid down were indeed being followed, yes.

Mr. DANFORTH: Was this this Texas gentleman?

Mr. BARRY: No.

Mr. DANFORTH: Under whose auspices did the State of Texas send this man in ? Was this by the State of Texas or, was this by a private concern that this gentleman came in to Grosse Ile?

Mr. BARRY: I wonder if I could briefly review this situation.

As we all know, there had been some degree of concern among U.S. cattle people with respect to this operation which, as I said a moment ago, was not concurred in by the United States Department of Agriculture. They went along with our proposals.

These gentlemen from Texas, as I understand it, presented themselves and asked for permission to visit the Grosse Ile station. They both were salaried employees of the State of Texas, one being the agricultural commissioner and the other the quarantine officer. I tell you frankly that I did not know, until after the event, that they were there.

I suppose our people were faced with the situation where two legitimate officials of a state government, for their own satisfaction, wanted to see the quarantine station. I presume they were still faced with dealing with questions at home about these imports, and, as a judgment matter they were permitted to enter the station and see it. This was after the completion of the quarantine.

Someone raised the question of what would have happened if someone from each of the 48 states had presented themselves. I do not know. There was a judgment, at the time, whether these people should be allowed to enter or not. They were legitimate, verified officials of a state government.

Mr. DANFORTH: May I ask, Mr. Chairman, whether, to your knowledge, there was any report, either compiled or made public by the appropriate officials in the United States and presented to their government, or a copy of it presented to our department, with regard to their complete satisfaction with our quarantine methods?

Mr. BARRY: Dr. Wells, Mr. Danforth has asked whether there was any report compiled by the American authorities with regard to their complete satisfaction with our procedures. I think the answer specifically is no, there was no final report made by them. They did have an observer present through the whole operation, both in France and here, and we can only assume that had they found anything that was not in their judgment being done properly they would have raised it. The fact that they did not raise anything leads us to the inference that they found the procedure satisfactory.

Mr. DANFORTH: Is it the fact, then, on the strength of the information you have just given to me, that we have no guarantee that they have been completely satisfied, or that this would not affect any consideration of the importation of cattle into the United States?

Mr. BARRY: We have a letter which came in advance of the importations, as I recall it, from the Secretary of Agriculture to the Minister of Agriculture, saying that the conditions which were being followed were satisfactory. I am sorry, but Dr. Wells has just reminded me of this.

Mr. DANFORTH: I am satisfied on that point.

If I can get back to Grosse Ile which, as I understand it, is new in its particular facilities, is this the only maximum security isolation centre we have in Canada?

Mr. BARRY: Yes.

Mr. DANFORTH: It deals specifically with the importation of cattle, and no other animals are involved. It is for this one specific purpose?

Mr. WELLS: We have operated Grosse Ile for a number of years as our virus research station. We use it during the summer period for virus disease research on conditions which we would prefer not to handle in our normal research laboratories. In the winter time we are now using it as a cattle or livestock import maximum security quarantine station.

Mr. DANFORTH: Could I ask, Mr. Chairman, if it entailed either a modification or an additional expense in order to provide the necessary facilities for this particular—

Mr. WELLS: Yes, we had to build the maximum security quarantine station.

Mr. DANFORTH: Is there any other station comparable to this in Canada, or is it the only one we have?

Mr. WELLS: It is the only one we have. We have two other quarantine stations for the import of cattle from countries other than the United States. One is at Saint John, N.B. and the other is at Levis, Quebec.

Mr. DANFORTH: Is this maximum security?

Mr. WELLS: No.

Mr. DANFORTH: The thing that is of interest to the Committee is exactly who initiated this procedure of a maximum quarantine station. Was it done specifically so that we could import cattle from a nation which had had hoof and mouth disease. Why was this initiated? I am curious to know why, at this particular time, we would, all of a sudden, build a maximum security station in Canada and import, from one specific country, one specific breed of cattle. Why did this happen after years? I find this quite hard to understand.

Mr. WELLS: The provisions of the Animal Contagious Diseases Act provide that animals may be imported from certain countries.

One of the provisions is that animals can be imported from a country provided there has been no foot and mouth disease in the region from which the cattle are originating for a number of months prior to the importation. Therefore, it is the normal citizens' right to make use of the provisions of the Animal Contagious Diseases Act when the conditions, in any country from which he wishes to import, are such that the importation can be made.

In the case of our other two quarantine stations, they import from countries free of foot and mouth disease. These countries are Norway, Britain and Ireland. In this case no country had, for years, reached the point with foot and mouth disease control that application could be made of these provisions established under the Animal Contagious Diseases Act. When these conditions were met, then it was the right of any individual to ask for importation from these countries.

It was a departmental decision then to decide whether, in fact, the individual would be denied the rights provided to him under the provisions of the Act, or whether facilities in order to permit him the use of those privileges would be exercised.

Mr. DANFORTH: I can understand that this is a general answer to my question, but I think it is too much of a coincidence to expect that, all of a sudden, in one single year, we have an application to import one specific breed

of cattle from one specific country. There must have been some motivation behind this.

Did the Charolais association petition the department, requesting that such action be taken. Was it done by the government? Did the government initiate this program as a matter of policy?

Mr. WELLS: For a number of years we have been receiving requests from individuals throughout Canada, and I cannot recall, at the moment, any specific petition from the Charolais association. I guess we did have them. Certainly there were requests from many individuals over a number of years for the importation of these cattle from France, in fact, the disease conditions in that country had never been right prior to last year.

This was brought about by the work of the European Foot and Mouth Commission under the auspices of the Food and Agricultural Organization, and by increased activity by the French government.

I must mention, of course, that there was some interest in other breeds from France. There was interest in the Limousin and the Semantal breeds from France. None of those came in last year. We understand that there will be more interest in some of these other breeds this year.

Mr. DANFORTH: Am I to understand, then, that there had been consideration and decision to build this maximum security station at Grosse Ile pending the time when France could be declared in a state of being free from foot and mouth disease?

Mr. WELLS: No. The station was not built until France had reached the state where importations could be accepted from that country, or any other country for that matter. We have had no applications from other European countries, but if we did receive applications from other European countries, then, of course, we would have to examine the disease position in those countries.

Mr. DANFORTH: I cannot seem to get the answer I am after. Someone had to initiate the expenditure of this money to change the status and the use of this station at Grosse Ile.

It was either initiated by the Canadian government on a request by the Minister, or on the request of the Charolais association, or on the request of the French government, they having reached a status where they felt that they were in a position to qualify for the export to Canada of these cattle.

There must be some stage at which this entire transaction was initiated. This is what I would like to get at.

Mr. WELLS: It was brought about by the request of individuals to import cattle from France.

These requests have been coming in for many years, Mr. Danforth, and they have been continuing, and last year there were continuing requests. Each year we examine the position of disease in each country. When the requests continued to come in for the importation of these cattle, we were then in the position of having to say whether, in fact, the disease conditions in France were satisfactory, or whether they were not.

Our findings were that the disease conditions in France were satisfactory. Therefore, honouring the request of citizens to import from that country, the

decision was then made, because the disease situation in France was acceptable; the individuals wanted the cattle, and therefore the decision was made to proceed with the station.

Mr. DANFORTH: Is there any thought of enlarging the station and the facilities at this quarantine station?

Mr. WELLS: Yes; because of the continuing demand for increased numbers and the expectation of other breeds some thought has been given to it.

Mr. DANFORTH: Might I ask another specific question? Why was it that the semen was not imported from France into both the United States and Canada?

Mr. WELLS: Semen is a carrier of foot and mouth virus. Semen taken from a bull which is undergoing, or has undergone, foot and mouth disease may contain the virus. It is impossible to quarantine semen, because one cannot tell if there is virus in semen.

At about the same time that we were developing our station—the idea of the station and the technical control measures of the station—the United States and ourselves were looking at the possibility of importing semen under restrictions from France because of the freedom in that country from foot and mouth disease.

The United States, did, in fact, develop and pass regulations permitting the importation of semen from France; but the controls necessary for the importation of semen were at the same level of expense as the controls for the importation of the animals themselves. In addition to that, in bringing in semen you get only one half of the genetic pool.

Mr. DANFORTH: I can appreciate that. To your knowledge, is there at the present time any application from any individual or association in Canada to import cattle or livestock from any other country which has had hoof and mouth disease?

Mr. WELLS: Mr. Danforth, we get requests quite regularly from people seeking to know if it is possible to import animals of various species from various countries.

As an example, we have requests to import swine from some European countries. Swine present an entirely different problem from cattle with respect to the diagnosis of foot and mouth disease. Their blood does not react to the complement fixation test similarly as that of cattle. These are rejected on the basis that technical conditions which would permit safe importation cannot be met.

I am sure that we must have had, within the last year, requests to import animals from countries which are not acceptable to us, but I could not specifically name any of them. They come in quite regularly.

Mr. DANFORTH: If I might digress from that line of questioning to one other main theatre that I am interested in, Mr. Chairman, it has to do with the applications for importation. This was covered this afternoon, but there are a few points on which I am not clear.

Was there a general announcement made through the trade that facilities would be provided for the importation of Charolais cattle from France?

Mr. WELLS: The Charolais association were advised, and, of course, the agricultural press covered the advice to the Charolais association quite fully.

Mr. DANFORTH: I would imagine there would be a departmental release.

Mr. WELLS: Yes, there was a departmental release by the Minister.

Mr. DANFORTH: At this time was there a release which concerned breeds other than the Charolais?

Mr. WELLS: In all departmental releases and correspondence with respect to the importation of livestock or cattle from any country, the word "Charolais" has not been mentioned.

Mr. DANFORTH: Well—

Mr. WELLS: I say Yes; I think this is right. In other words, we deal solely with cattle, as such.

Now, forgive me; we may be able to find some place where the word has been mentioned, but, generally speaking, we are rather careful, because we deal with cattle not with briefs.

Mr. DANFORTH: To follow along this line of thought, we have certainly heard a lot of rumours to the effect that there were a tremendous number of applications made for importation. If my memory serves me correctly, I think you gave me a number of 67 accepted applications.

Mr. WELLS: Yes, 67 or 69; I am not too certain.

Mr. DANFORTH: May I ask: In your estimation, how many actual applications came in as a result of this news?

Mr. WELLS: Those were the actual applications. Every person who applied —perhaps I should backtrack for a moment. They wrote us letters and applied, and at that time we listed them all. When the conditions of importation were laid down we wrote back to everyone who had applied and said, "These are the conditions; would you read them carefully, sign the attached statement that you have read them, and that you agree to them, and return it to us confirming that you wish your application to stand." I say 69 original applications. It was in that vicinity. Everyone who confirmed their interest, after having read and accepted the conditions, got a permit.

Mr. DANFORTH: I think this is the field we are interested in. Certainly when those letters were sent out by the department stating the qualifications and the regulations, there would be a number that would drop out.

You say there are some 60 odd who did actually import cattle. Can you give us some idea of the number of initial applications and the ones who actually did get permits?

Mr. WELLS: That is it, sir, 69; and—

Mr. DANFORTH: In other words, there was a very small number who dropped out.

Mr. WELLS: Yes; I think two or three. There were originally 67 permits issued, and some of those cattle had gone to Brest and failed to pass the Brest test, and, therefore, they did not come to Canada, and the permit, of course,

became null and void because the cattle were not eligible to come. A total of 64 permit holders got cattle out of Grosse Île.

Mr. DANFORTH: These rumours we heard about of hundreds of applications being restricted to a favoured few, or chosen by lot, or some other way, was just mere rumour and had no foundation in fact?

Mr. WELLS: Totally false, sir.

Mr. DANFORTH: Fine. I am interested in knowing if the applications dealt solely with Charolais that came in?

Mr. WELLS: We did have one letter in one original application last year mentioning another breed.

Mr. DANFORTH: The vast majority was concerned with this one particular breed.

May I ask something which is, I think, of interest: Who of the Charolais association sat with the government officials in going through these applications? Were they officers of the Charolais association or were they apointed by the Charolais association? Where we have a board sitting on applications it is always of interest to know who comprises the board and on what authority they sit?

Mr. WELLS: They were not a board in that sense. They were here for another purpose, and frankly I forget that purpose. There were the secretary-treasurer of the association, the president of the association—

Mr. DANFORTH: They were officers?

Mr. WELLS: Yes; there was also a director. It was not the whole executive, but by and large they were either directors or—

Mr. DANFORTH: Officers of the association.

Mr. WELLS: —officers of the association; and they did not sit as a formal board.

Mr. DANFORTH: More in an advisory capacity?

Mr. WELLS: Yes. We were attempting to sort this thing out.

Mr. DANFORTH: And they were there by the invitation of the department.

Mr. WELLS: Oh, yes.

Mr. SCHREYER: Was the cost of keeping the cattle at the Grosse Île station largely recovered from the importers?

Mr. WELLS: It will be totally recovered from the importers.

Mr. HORNER (*Acadia*): With regard to the applications, what is the score for this coming year?

Mr. WELLS: We had originally 252 applications. We have sent out material, of which you have copies, and we set last Friday night as the deadline.

Mr. HORNER (*Acadia*): Last Friday night?

Mr. WELLS: Yes.

Mr. HORNER (*Acadia*): Was this given any general notice or advertisement? I have some friends who might have been interested.

Mr. WELLS: Mr. Horner, it was given sufficient general notice that 252 people originally applied.

Mr. HORNER (*Acadia*): The Charolais association was notified?

Mr. WELLS: Oh, yes; and again a press release went out from the department saying that we were going ahead with another importation this fall providing conditions remained favourable in France.

Mr. HORNER (*Acadia*): I was just joking when I referred to any friends I might have!

Mr. WELLS: Of those 252 applications, while we said Friday night, we felt, in all fairness, because of some mail problems, that we should give them Monday morning's mail, which we did, and we have received 206 confirmations of intent.

Mr. HORNER (*Acadia*): Are you going to be able to handle the 206 applications?

Mr. BARRY: If I might just interject, this is 206 people, but the total number of cattle they want to bring in is 1,700.

Mr. HORNER (*Acadia*): We are getting to the crux of the thing, and this is very interesting. Let me put it this way: Are you going to handle all the cattle that the 206 people want to bring over?

Mr. WELLS: No, sir. We do not have those facilities.

Mr. HORNER (*Acadia*): What percentage of the 1,700 are you going to be able to handle?

Mr. BARRY: If I may I will answer your question this way, that we must make a decision shortly, and we will make it, on whether we will increase the facilities at Grosse Ile this year. That decision has not yet been finally made.

If we increase the facilities at Grosse Ile this year, this will permit the importation of approximately 220 or 225 head of cattle.

I hope we will not be pressed for an answer right now on how we are going to make an allocation, because this still has to be—

Mr. HORNER (*Acadia*): Not by me.

Mr. BARRY: That is the problem that faces us, actually.

Mr. HORNER (*Acadia*): I hope I can continue without appearing to be pressing you.

We have a desire by Canadians to bring over 1,700 head of Charolais cattle. At the moment, the maximum quarantine station which they have to pass through will handle in the neighbourhood of 113 or 115 head. The department is considering enlarging those facilities to handle 225 head. Can you give the Committee a rough idea of what expenditures would be involved if the enlargement took place?

Mr. BARRY: We do not have a firm figure on this as yet. This construction will be done for us by the Department of Public Works.

I think it would be a fair assessment to say that the cost would be in the order of $350,000, or something of this nature, to duplicate the facilities.

Mr. HORNER (*Acadia*): This would entail the building of barns and sheds and pens and I would imagine most of the pens would have cement floors, so that the maximum health safety features would be employed.

Mr. BARRY: I see Mr. Danforth frowning, and I frown as well at the cost of this, but there are certain standards of construction with respect to a quarantine station, and if I may say also, it is an isolated location to get material and men into for the construction.

Mr. HORNER (*Acadia*): As one engaged in the commercial operation of the livestock industry I have found that that kind of an expenditure helps the purebred breeders. I think sometimes, when I go to buy bulls that they are receiving the cream of the crop.

To set aside these lighter matters, we see an expenditure of $350,000 and possibly upwards to $500,000 —and I do not think I am being unreasonable when I stretch it to that much—for the importation of an additional hundred head of cattle, roughly speaking; here, again, I am rounding off the figures. How do you propose to screen the applicants down to the proposed amount?

Mr. BARRY: This is a question I hope you will not press me on at the moment, because we—

Mr. HORNER (*Acadia*): I do not want to appear to be pressing you, but this is a point in which I could foresee the difficulty you were going to get into unless you set up some stipulations and some regulations. This is what I was dealing with this afternoon.

If you will recall, I referred to the distribution of the Lacombe hog and the distribution of plant seed only to registered growers. Is the department considering allowing for the distribution of this new seed only to registered Charolais breeders of Charolais cattle?

Mr. BARRY: I think; sir, I would have to say no.

Mr. HORNER (*Acadia*): You are ruling that out immediately?

Mr. BARRY: I do not want to rule on anything quite yet, but we tried this afternoon to enunciate the principle that this was probably the one area of difference between us and the Charolais association; that the mere fact that a person may not be a member of a certain breed association is not necessarily a reason why, in our opinion, he should be discriminated against in the importation of cattle. He may have just as valid a use for it. He may be a rancher who wants them for this type of thing and—

Mr. HORNER (*Acadia*): Could you give the Committee some idea why you are ruling that out?

Mr. BARRY: Yes; because we think, as citizens, that anyone who is interested in the cattle business, or who is in the cattle business, has an equal right to the use of departmental facilities for the importation of cattle.

Mr. HORNER (*Acadia*): All right. Let us just follow that same criteria down to the registered seed grower. I seed a few acres, too, and I would like to get into some of this registered seed business. I could keep at least one field clean of weeds. Could I not be given, or allowed to be given, let us say, when Selkirk wheat came out or Chinook wheat came out, the registered seed, or be allowed even to have my name drawn from a hat—which is a very speculative way of seeing a new seed variety come into being—but do you not think that there is a precedent here and that perhaps we should be following it?

Mr. BARRY: I think this is a point where you and I differ, Mr. Horner. We do not think we can draw a proper analogy between the distribution of a new variety of seed which has been developed by the department—

Mr. HORNER (*Acadia*): A lot of money has been spent on developing that.

Mr. BARRY: Oh, yes; and I appreciate that.

Mr. HORNER (*Acadia*): The first owner of that variety is in a position to profit from being one of the few people who have that variety for sale.

Mr. BARRY: This becomes a difficult decision as well. After all, everyone wants a new variety and there just is not enough to go around. Therefore, a decision has to be made.

Mr. HORNER (*Acadia*): I have always been envious of the people with the new varieties.

Mr. FORBES: There is a complete difference between a product that is developed by scientific experts in Canada and one which is imported from another country, over which Canada has no control other than the health regulations. For Mr. Horner's information, when the department produces a new seed today, such as Selkirk or Manitou, they also allocate it to us in small quantities and they establish a price, so that we can charge only so much. Then, from the second crop, if there is an export permit issued—and, again, there is no export permit issued on new varieties which are developed in Canada for a certain length of time—then we may capitalize on a little above market price. There is no comparison whatever.

Mr. HORNER (*Acadia*): I fail to agree with Mr. Forbes. I think there is a parallel. We are bringing in a new seed, and if it is developed by scientific research that scientific research is still subsidized by the taxpayer, and the results of that scientific research should benefit Canadians generally.

The CHAIRMAN: May I interject?

Mr. HORNER (*Acadia*): Here we are subsidizing the importation of a seed to benefit Canadians generally.

The CHAIRMAN: Mr. Horner, the only thing I want to interject here is that we do not put restrictions on who can purchase a Hereford bull, or a shorthorn bull, by importing them. I do not see how in the world we can continue this line of suggestion that we restrict who buys a Charolais heifer or bull when we do not do it with any other breed.

You are suggesting that we licence these people and put the Charolais in a preferred class. What if I wanted to start breeding Charolais cattle? This would be a discriminatory thing which you are suggesting.

Mr. HORNER (*Acadia*): Mr. Chairman, I am just trying to aid the department and benefit my constituents and Canada generally. This is my sole purpose here.

I well realize that we have in our midst a purebred shorthorn breeder, a purebred Hereford breeder and a purebred Angus breeder, but the department is faced with the difficulty of trying to screen applications to import 1,700 head of cattle down to 113 head, or, if an expenditure of taxpayers' money is made, down to 225 head.

The department, through Dr. Barry, has said that they disagree with the suggestion I have made. My suggestions are very flexible, and I threw one out and he disagreed with it. I wanted to know specifically why he disagreed with it, when a precedent had been established with seed growers and with Lacombe hogs. That is basically what I want to say.

Mr. BARRY: I am very grateful to Mr. Forbes for explaining, in much better language than I was able to, why we did what we did.

Mr. HORNER (*Acadia*): I did not accept Mr. Forbes' explanation at all, because he drew the analogy that, because seed was scientifically developed by Canadians for Canadians; it should be parcelled out only to registered seed growers.

I see no difference between this and seed which is brought over from another country, but thoroughly examined and quarantined at the expense of taxpayers. I see no real difference why this should not be parcelled out.

I might ask you, Dr. Barry, or you, Mr. Forbes, why registered seed is given out only to registered seed growers, if you feel there is no real difference.

Mr. FORBES: Mr. Chairman, this is given out to seed growers, and particularly elite growers,—

Mr. HORNER (*Acadia*): Elite growers?

Mr. FORBES: —for the purpose of maintaining purity. These men, through years of experience, can rotate these crops to maintain that high standard which is 99.9 per cent pure, and then it is allocated to the general public after quantities have been increased to enable everyone to benefit by it.

The CHAIRMAN: But, Mr. Forbes, cannot Mr. Horner, if he so desires, become a registered seed grower, if he wants to meet all the qualifications?

Mr. FORBES: Yes; and I think with a little training he could!

Mr. HORNER (*Acadia*): To be quite frank, I am not that good a farmer. Furthermore, I do not want to become a registered seed grower; but—

The CHAIRMAN: Mr. Horner, what Mr. Forbes is saying, though, is that it is for the protection of all the farmers who are growing grain that they make sure that this grain stays good and pure, and it is guaranteed good seed for the average farmer.

Mr. HORNER (*Acadia*): That is fine; and I agree with Mr. Forbes that this is the basic principle of why plant seed is parcelled out in this way.

What I am saying is that we, the Canadian taxpayers, have spent $1 million—I am just using that rough figure—and Dr. Wells or Dr. Barry can say I

am out a country mile—developing Grosse Ile quarantine station for the benefit of the livestock industry generally. We have spent that money. Let us pursue that money down the road a little to ensure that our expenditure will be used to the best advantage of the Canadian people.

Mr. Forbes has said that plant seed must be distributed only to registered seed growers and elite registered seed growers, because that seed must be kept pure, and, if it is kept pure, only after we have a large quantity of pure seed do we allow the commercial breeders and the commercial measures to get into the act.

Cannot the same be said of this seed we are bringing over? We have spent money to bring it over—we have spent taxpayers' money to bring it over. Should we not pursue that money a little further and see that that seed is kept pure for at least a number of years, or even a couple of calf crops, so that we have a larger amount of that seed here in Canada and more and more Canadians can benefit readily and rapidly from this initial expenditure by the Canadian taxpayer?

This is basically what I am saying.

The CHAIRMAN: I just want to make one comment, Mr. Horner. There are several other beef breeds in France. What if I wanted to import 50 Limousin cattle or Semental cattle? Who are they going to go to in Canada? Are we going to say they are going to go to the registered Limousin breeders in Canada?

Mr. HORNER (*Acadia*): I would say, Mr. Chairman, if I had any authority—

The CHAIRMAN: You would not stop me from bringing them in?

Mr. HORNER (*Acadia*): If I had any authority, Mr. Chairman, and you could convince me, or the department, through qualifications, through recommendations, through your financial status, that you were prepared to become a registered Limousin breeder here in Canada and propagate that breed to the benefit of all Canadians, then I would say yes; but if you were prepared only to speculate in that breed, I would say no, that that breed was better left in France.

Mr. SCHREYER: I have a supplementary. A few moments ago I asked Dr. Wells if the federal government had recovered from the importers the costs of holding the cattle at Grosse Ile. I believe he replied that the federal government will recover all of the costs.

I would ask if, subsequent to the construction of the additional facilities there, any of the capital costs will be imputed into this as charges that will be made in the ensuing years?

Mr. WELLS: Yes; starting this fall there is an additional capital cost being added, which will accrue totally to the department, of $5 per day per head up to a maximum of 90 days. This is in addition to the cost of care and feed.

Mr. SCHREYER: In the hope that after a period of how many years the capital cost will be recovered—amortized over how many years?

Mr. BARRY: If we have 110 head and they pay $5 per day for 90 days, that is $450 times 110, or 100, and that would be approximately $45,000. It would take about 10 years to recover the cost of the one premises.

The CHAIRMAN: Would this not have the effect of making this only a rich man's game?

Mr. BARRY: This additional amount—

The CHAIRMAN: The E. P. Taylors and all these people would be buying them, but how in the world is the ordinary farmer going to be able to do this?

Mr. BARRY: Every buyer this year had quite a substantial bill in the importation of these cattle.

Dr. Wells, in answer to a question, suggested that these bulls cost up to $6,000 or $7,000, and there is the additional cost of their care and maintenance through the quarantine period. I would not think that this additional capital cost charge would make a great difference in the total bill, or that it would exclude people who would otherwise be interested.

Mr. HORNER (*Acadia*): This is true. This is one of the new policies which have been adopted this year. The capital cost charge was not placed on the cattle last year, and I whole-heartedly endorse the placing of the capital cost charge on the importation of these cattle this year.

With regard to the Chairman's remarks, putting this in the category of only a rich man's game, I do not know any poor elite seed growers. I do not know if there are any, but I am sure not looking at one right now!

If we want the seed to be kept pure and clean we must put it in the hands of someone who is financially able to do it. All I am saying is that it must be someone with not only a financial interest in the seed but the desire and determination to keep that seed clean and pure. This is what a registered plant seed breeder must do. He must have the desire and the determination to be an elite seed grower. He must take pride in being an elite seed grower.

All I am saying is that certainly our interests in developing a new plant seed are best guarded by someone who has that initial pride and has that desire and determination.

In your screening of these applications should we not take a very close look for the people who have that desire and determination and pride in their operation?

Mr. BARRY: What criterion would you suggest we use to determine this, Mr. Horner?

Mr. HORNER (*Acadia*): To be frank with you, Dr. Barry, I know nothing about the Charolais breed association. I have never attended one of their meetings, and I have really never had too much to do with the official Charolais breed. I have some Charolais crosses on my farm right now, but I think, in order to be a Charolais breeder, you must be very proud of that strain of cattle, and you must have the desire to propagate and produce that breed of cattle.

I think if I were a Charolais breeder I would very eagerly and very earnestly demand that the department put me in a special category in the classification, or in the screening, of applicants. I think this is only fair to the association. Why allow me, a Johnny-come-lately in the breed, with a few dollars in my pocket,to say to you that if I can bring over one or two of these cattle I should be permitted to do so, when I have nothing to cross them with; I have no purebred Charolais now, and if I bring over a purebred Charolais bull I

have nothing to cross it with, nothing with which to propagate the seed for the benefit of more Canadians. If I spread the seed on my ranch it is going to be impure and a little bit unclean, believe me, and not too many Canadians will really benefit from that type of application of the spreading of that seed.

Mr. BARRY: Mr. Horner, I do not know the precise number, but some of the bulls imported have gone to artificial insemination units who are not breeders. Would they deny an artificial insemination unit the right to—

Mr. HORNER (*Acadia*): No, absolutely not, Dr. Barry. In my appraisal of the situation, I would not deny an artificial insemination station because it is in a category by itself. Here they are going to produce pure clean seed; in fact, they should be placed above a registered breeder, or at least equal to a registered breeder. They are going to produce pure clean seed for the general good of as many Canadians as they can possibly satisfy.

Mr. BARRY: I suppose the semen which goes to artificial insemination units will be used on both purebred Charolais and for crossing purposes and for a variety of purposes. There is no assurance how that would be used.

Mr. HORNER (*Acadia*): But you understand my point in this? I am using myself as an example and saying that the breeder of commercial cattle should not be placed in the same category as one who is prepared, and has spent money and has the progeny to cross and maintain a clean strain. I do not care if the department does not make this a stipulation. As long as they give it some preference and some consideration I am satisfied. I think it is due and I think it is warranted. Would you not agree that it is warranted it, not necessarily in the case of a semen-distribution system, but certainly warranted in any case, a commercial breeder of cattle.

Mr. BARRY: I really do not know sir.

Mr. HORNER (*Acadia*): I hope, in the weeks ahead, when the department makes that decision, that they will give this some consideration and that my words have not been wasted.

I have a couple of other questions.

With regard to the purchasing of the initial group, and if very few of these cattle are going over to the United States, I wonder if Dr. Wells would care to comment on why, it came out in the press immediately that the price of Charolais cattle had gone up in France because of American purchases over here. Why were these Americans over in France, and for what were they purchasing Charolais cattle? Could Dr. Wells comment. Did they send a group to Nassau in the Bahamas, or—

Mr. WELLS: I am afraid I cannot give any explanation. I know that there are two United States people who own and maintain herds of Charolais cattle in France.

The CHAIRMAN: I would say, Mr. Horner, that this is far beyond what Dr. Wells is here to answer. What Americans are doing in France has nothing to do with our Department of Agriculture.

Mr. HORNER (*Acadia*): I have one more question, Mr. Chairman, and then I want to thank Dr. Wells and you, too, because you have been very considerate. I hope my remarks have not gone to waste.

Have Charolais cattle come into Canada without going through the maximum quarantine station at Grosse Ile?

Mr. WELLS: Yes.

Mr. HORNER (*Acadia*): Have they come in recently?

Mr. WELLS: Yes.

Mr. HORNER (*Acadia*): Sixty or 70 head from Nassau?

Mr. WELLS: No.

Mr. HORNER (*Acadia*): From the United States.

Mr. WELLS: That I can tell you. Yes, they are coming in from the United States on a daily basis.

Mr. HORNER (*Acadia*): But they have come over from other countries?

Mr. WELLS: Yes.

Mr. HORNER (*Acadia*): What I am getting at is: Have there been some Charolais breeders in Canada who have circumvented the maximum quarantine station on Grosse Ile. In other words, have they taken them to Nassau, kept them there for a year or two, and then brought them into Canada.

Mr. WELLS: No.

Mr. HORNER (*Acadia*): There is none of this going on?

Mr. WELLS: Charolais cattle have come in from Norway and from Nassau. Both of these countries are considered free of foot and mouth disease. These cattle have come through the standard quarantine station.

Mr. HORNER (*Acadia*): And has the Health of Animals branch examined the operations at Nassau and satisfied you, following an over-eager demand by the livestock industry to import Charolais cattle because of some newspaper article to the effect that people have made thousands, that the Nassau operation is safe and that the Canadian livestock industry is protected from foot and mouth disease?

Mr. WELLS: Yes; but I must make it clear that Charolais cattle which have come from Norway and Nassau have been born in Norway and Nassau. They are not cattle which have been moved from France to Nassau, or France to Norway, and then moved into Canada.

Mr. HORNER (*Acadia*): I am very satisfied with your answer, Dr. Wells.

Mr. WELLS: We require certification that the cattle are born in the country. We do not permit third country circumvention.

Mr. HORNER (*Acadia*): I am very pleased with that answer and I might say, Dr. Wells, knowing that the Chairman probably will not give me the floor again, that I appreciate your answers today. You have enlightened me a great deal and, through me, I hope, a lot more Canadians.

Mr. WELLS: I would just like to say to Mr. Horner that, in spite of press reports that 30, 40, 50, and 70 Charolais cattle have come from Norway, the number is three.

Mr. HORNER (*Acadia*): And how many from Nassau?

Mr. WELLS: The number is 35.

Mr. HORNER (*Acadia*): I said 60 or 70; I just doubled it.

The CHAIRMAN: Mr. Noble, on a supplementary.

Mr. NOBLE: Mr. Chairman, this question may be hypothetical, but if I wanted to import cattle from Australia or New Zealand or Japan the most logical place to land them would be on the west coast. Would I necessarily have to take them around to Grosse Ile to get them into the country, or is there some other provision?

Mr. WELLS: Australia has contagious pleuro-pneumonia and therefore you could not bring cattle from Australia. Japan we have not cleared with respect to foot and mouth disease, and if you wanted to make an importation the first problem for us would be to ascertain if the importation could be safe from that country. New Zealand is free of foot and mouth disease and rinderpest and all of the other diseases with which we are concerned, and the importation would not have to go through the maximum security quarantine station, Mr. Noble, it would come through our ordinary 30-day quarantine station.

We do not maintain such a station permanently on the west coast, because of the limited importations, but we do have available facilities which we rent for those occasions.

Mr. NOBLE: Thank you very much.

Mr. MCLELLAND: My question is relatively close to the subject of Charolais cattle. I have just two question, and one is supplementary and the other is not.

In the application which are coming in are there very many repeats. What I mean by that is that in the case of those who have brought animals in before are you accepting their application again for one year?

Mr. WELLS: Yes; a goodly number of them are repeats.

Mr. MCLELLAND: The other question had to do with Health of Animals. Could I pose that now, or do you wish me to wait?

The CHAIRMAN: I would like to finish the cattle, if we could.

Mr. MCLELLAND: This is just a quick one.

We still have the odd worry in Saskatchewan about the foot and mouth disease outbreak we had some time ago, and every time something pops up in that corner of the province I always worry about the danger of foot and mouth disease coming back. Is there any precaution being taken in that location, which is not taken in any other part of Canada, to assure the people that there is not will be any more outbreaks of foot and mouth disease in that area?

Mr. WELLS: No, sir. In so far as we are aware, there is no virus of foot and mouth disease in Canada, and precautions are taken throughout the entire nation. Every suspicion and any reported disease outbreak which is not clearly defined we immediately investigate, regardless of where it is, to ascertain what disease it is.

Mr. MCLELLAND: Have things been speeded up so that it will not get out of hand as it did at that particular time, or are the necessary controls still in

effect? There were many, many people whose herds were completely destroyed where there was no virus connected with it, I expect, but they were in the vicinity.

Mr. WELLS: It would still be necessary, if an outbreak were to take place in this country, that the infected herds, and any herds which had been associated with that herd, would be destroyed. To effectively eradicate disease one must get ahead of it, not work from behind it.

Mr. MCLELLAND: You would not consider taking the healthy animals and quarantining them before they were destroyed?

Mr. WELLS: No, sir; not with foot and mouth disease.

Mr. SCHREYER: Mr. Chairman, my question may have been asked earlier in which case I can find it in the Minutes, but I would ask: Have any calculations been made of the net cost to the federal treasury per head imported in the last importation program?

Mr. WELLS: No, not per head calculations.

You see, to do that one would have to decide over how many years we wanted to amortize the station. We could hardly assume that the total cost of the maximum security quarantine station should be charged against the one importation, because the station will last us 25 to 30 years.

Mr. SCHREYER: I think it is unfortunate that we have not been able to strike at least some estimate, because it would appear that some people are becoming of the opinion that what is involved here is federal subsidization of a certain small segment of our agricultural industry, and perhaps unjustly so, since many would appear to be relatively not in need of any form of subsidization.

Mr. BARRY: I would like to avoid any misunderstanding here, and I will ask Dr. Wells and Dr. Moynihan if I am right in what I am going to say.

Apart from the capital cost of the station, which was not a part of the charge last year but will be this year, and apart from the cost of our own veterinarian in France and maintaining our veterinarian at Grosse Ile during the quarantine period, all the cost of maintaining, caring for, transporting, feeding and everything else, of the cattle were borne by the importer.

Mr. SCHREYER: Nevertheless, Dr. Barry, you would not deny the statement that there is a degree of subsidization involved here?

Mr. BARRY: To the extent last year of the capital cost and to the extent only—I think I am right—of our own veterinarian who was in France and at the quarantine station.

Dr. Wells has just given me a figure. Our total cost, apart from what was recovered, including our veterinarian in France and things of this nature and our laboratory men taking samples, was $26,000.

Mr. WELLS: That is the figure we brought out the other day.

The CHAIRMAN: Mr. Forbes, you had asked for the right to ask a question some time ago. Do you still want to ask that question?

Mr. FORBES: I think my questions have been pretty well answered.

Mr. HORNER (*Acadia*): I have another subject, when you finish with the Charolais cattle.

The CHAIRMAN: Several other people have, too, Mr. Horner.

Mr. CADIEU: I think my questions have been pretty well covered. I am not afraid of seeing another breed of cattle. I think that we cannot improve our cattle too much, and if they have something in Charolais let us have it. I am continuously trying to improve my herd. I have good ones, but I think I can still improve them.

The thing that did have me concerned—and I understand this question has come up—was that I would hate to see Canadians being deprived of the opportunity of bringing them in, through capital being put up from another country, and their getting in through the back door.

I am speaking now of across the border and I am just wondering about the situation where a man was subsidized to bring in cattle and then, possibly, for all we know, a part share in them was sold before he ever got a subsidy to bring them in. I understand that last year the breeders who brought them in did not pay any of this expense, and this year, if I am correct, I hear that the department is going to make a charge. I think that should be guarded against.

I agree with Mr. Horner on who should be privileged. I think applications should be thoroughly screened, and I do not think they should have to belong to a breed association to bring them in. We have a lot of young farmers coming up, who warrant a trial, providing they can prove themselves and provide the facilities to do it. I would like to see the department do it on a very fair basis.

So far as another breed of cattle is concerned, I think any other breed should be welcomed.

Mr. HORNER (*Acadia*): Excuse me for interrupting, but I want to be clear. In agreeing with me, do you think that the purebred Charolais breeder should have a preference over, say, the commercial breeder of cattle?

Mr. CADIEU: No.

Mr. HORNER (*Acadia*): You do not think he should?

Mr. CADIEU: No, I do not think he should.

The CHAIRMAN: He did not agree with you on that point.

Mr. HORNER (*Acadia*): He said he agreed with me, and I wanted to be absolutely clear.

The CHAIRMAN: I did not think he would agree with you on that.

Mr. CADIEU: My reason for not agreeing with you, or my stand on this, is that we have lots of good young men and women starting up, who possibly have come from breeders-of-livestock homes and who warrant a trial, providing they can provide the facilities.

Mr. HORNER (*Acadia*): Would you suggest that they become breeders of purebred Charolais cattle, or do you think that they should just be allowed to import these cattle and go into a commercial operation with them?

Mr. CADIEU: No; I think that the price involved alone would settle that part, and that they would have to keep up the registration of these cattle at the

prices that they are paying for them, and I think they would automatically become breeders of whatever association.

The CHAIRMAN: Are there any further questions concerning the importing of cattle? If not, we will move on to another subject.

Mr. Horner, you intimated you had some questions on a new subject.

Mr. HORNER (*Acadia*): Yes I did, Mr. Chairman. This subject concerns Bang's disease and the Bang's testing.

Dr. Wells' department is carrying on a very extensive campaign to rid all of Canada of Bang's disease. I wonder if he would care to make a brief statement on where we stand on this, how much money has been spent on this, and what eventually will be the benefit from this extensive vaccination and blood-testing program that is going on?

Mr. WELLS: This is a very brief history.

In 1952, we started the joint federal-provincial brucellosis vaccination campaign, at which time we acted in conjunction with the provinces. We bought and supplied, free of charge, to all the provinces, under the federal-provincial agreement, all of the Brucella abortus strain 19 vaccine that they could distribute to the veterinarians in each respective province, in order to vaccinate as many calves as possible in accordance with our restricted vaccination ages. This carried on until 1957.

The purpose of vaccination at this stage was to float out infection down to the point where it would become economically sound to eradicate the infection by virtue of blood-testing.

Vaccination in itself will never eradicate or eliminate disease, but it certainly will float out infection down to a relatively low level.

We estimated, when we started into the vaccination scheme—I say "estimated" but it was done by a survey—that the relative rate of Brucella abortus infection in this country was around seven per cent. Following the years of vaccination, in 1957 we started into the brucellosis area testing program and any area in the country—counties where they had counties and municipalities where they had municipalities—was then permitted to apply to us for that area to be designated as a brucellosis control area.

At that time the national infection rate of brucellosis was estimated—again by survey—to be just over 4 per cent. Since that time we have been testing regularly, and as of this year we now have all of Canada operating under the brucellosis eradication scheme.

Since 1957, we have tested 380,808 herds throughout Canada. Of those, 38,992 showed infection. We have tested a total of 10,772,141 cattle. This is fiscal year report to the end of March. You must bear in mind, of course, that we do not test steers for brucellosis. They cannot abort. The total samples drawn have been 10,701,265. The total reactors have been 191,043. The compensation paid to date has been $13,161,678.54.

You ask what is the value of this. It is estimated, or, rather, calculated, that the annual loss in 1957 in this country through brucellosis, that is, through abortion, the loss of calves, the loss of milk in the animal not fulfilling its estrous cycle and, of course, the difficulty in rebreeding the animal in some

cases from abortion, to the livestock owners of this country was in the vicinity of $10 million. We now have the infection rate down from the original start of the vaccination program in 1952, to 0.016 per cent of the cattle we test showing reaction.

As long as we can continue to maintain the country at this low level—and, in fact, we intend to eradicate it entirely—it means that the livestock industry in this country can continue to produce animals without any fear whatsoever of the disease known as brucellosis.

In addition to this annual $10 million saving in cost to the livestock industry—and bear in mind that this annual $10 million saving goes on year after year; it is not just for a one year period—in addition to that, as you know, brucellosis is, in fact, the organism which produces undulant fever in humans and the level of undulant fever, which creates considerable cost in hospitalization and medical care, is gradually being reduced as a result of reducing the infection in cattle. You can also add this to the saving and benefit to the country.

Mr. HORNER (*Acadia*): Dr. Wells, your remarks concerning steers interest me. I never once thought that a steer could abort, but what about bulls. Do you carry on a testing program with regard to bulls?

Mr. WELLS: We test bulls. We did not vaccinate bulls, or, rather, we did not advocate the vaccination of bulls, because one of the sites of infection of brucellosis in bulls is in the testicles; therefore, if one vaccinates even bull calves and the Brucella abortus strain 19 organism, which cannot cause the disease, settles in the testicle it continues to show a positive reaction to the blood test. While we did not vaccinate bulls, we do in fact blood test bulls.

Mr. HORNER (*Acadia*): Why do you blood test bulls. Can they be carriers?

Mr. WELLS: Yes; if there is infection in the testicle the organism can pass through the semen.

Mr. HORNER (*Acadia*): Did not the department at one time request that bull calves be vaccinated?

Mr. WELLS: No, we have never requested that bull calves be vaccinated.

Mr. HORNER (*Acadia*): But steers cannot be carriers?

Mr. WELLS: No. Well, I should not say that they cannot be carriers. There is a slight possibility that a steer could be infected and be a carrier, but it could do no harm because infection is spread at the time that an infected animal calves, and along with the calf and the placental fluid come out many billions of organisms.

Mr. HORNER (*Acadia*): With the overall benefit to the Canadian livestock industry, you suggested that the livestock industry would benefit by $10 million. You also suggested that you have it down to a count of .016 per cent—or is it .16? Dr. Wells said earlier it was 0.016.

Mr. WELLS: My apologies, Mr. Horner. I did say that. It is .16 of one per cent.

Mr. HORNER (*Acadia*): All right; in any case it is low.

You also went on to say that you hope and you believe that you will eventually eradicate the disease.

After it is eradicated will we have to continue with the vaccination of cattle?

Mr. WELLS: We are de-emphasizing vaccination now. We have no intention of prohibiting vaccination at the moment, but certainly we are at the stage where vaccination can be de-emphasized. In other words, we consider it no longer essential that one should maintain vaccination.

Mr. HORNER (*Acadia*): This is very interesting. With regard to the exportation of heifer calves into the United States, how will it affect us if we no longer vaccinate? Once we become a country which is completely free of Bang's disease will we be able to export heifer calves to the United States without producing a calf with a vaccination?

Mr. WELLS: Yes; the United States federal law does not require vaccination.

Mr. HORNER (*Acadia*): At present, in order to move heifer calves into the United States do you have to have a calf with a vaccination mark?

Mr. WELLS: No; they do not have to have this. They can go on a test.

Mr. HORNER (*Acadia*): What do you mean by that?

Mr. WELLS: A negative blood test.

Mr. HORNER (*Acadia*): They have to have a blood test, then?

Mr. WELLS: Yes; they either have to have a negative blood test, or a vaccination certificate. Of course, the vaccination certificate is good only up to a certain age.

Mr. HORNER (*Acadia*): Let me go back to my original question. After we have become free of Bang's disease in this country, will cattle—heifer calves, particularly—still have to be blood tested, or will we have to produce a calf with vaccination in order to cross the line?

Mr. WELLS: Yes. They have to, today. They have a choice today of either being vaccinated or blood tested to go across the line. There are some countries—Norway is an example and Denmark is another one—who would buy our cattle and we have had inquiries from those countries, but they will not buy from a country which vaccinates in any form, because they are totally free of the disease and they do not permit vaccination.

Mr. HORNER (*Acadia*): That is very interesting.

Mr. WELLS: The United States and ourselves are proceeding jointly along the same road of brucellosis-eradication, and they are de-emphasizing vaccination just as we are.

We cannot maintain Canada as a separate entity on the North American continent with respect to animal disease and, therefore, we must work in conjunction with them.

Mr. HORNER (*Acadia*): With regard to the blood-testing now going on, when will a ranch in southern Alberta be declared fully blood-tested and Bang's-free, so to speak?

Mr. WELLS: All of Alberta is declared fully blood tested and they are all brucellosis-certified areas now, which means that all of the herds have been tested and all of the infected herds have been retested until they are negative or are in the process of being retested until they are negative. The infection rate is down below one tenth of one per cent. All the herds will again be retested.

Mr. HORNER (*Acadia*): All of the herds in Alberta will again be retested?

Mr. WELLS: Yes, they will be retested, but not necessarily by blood. This depends upon the area. The areas run out at the end of three years.

We are using two methods of re-certifying areas. Rather than blood testing each individual herd, we have two systems, one for the beef industry and one for the dairy industry. In the case of the beef industry, we have a back tagging system, and this has been published very widely through all of the livestock organizations. Any man who wishes, when he is selling his culls for slaughter, can get back tags from us, or can have back tags applied at the stockyards, and we then take a blood sample regardless of where in Canada these animals are slaughtered, or even if they are slaughtered in the United States. That back tag indicates that we want a blood sample taken from the animal. The serial number on the back tag can be traced back to the owner, and we keep a record in each sub-district office of every animal which is back tagged and tested in an owner's herd. At the end of three years, if we have 5 per cent per year of that owner's herd, which is the normal culling out of his beef herd, then that whole herd is simply considered to be negative and does not need further retesting. There would be no further blood testing. We continue this back tagging and we can do back tagging for one third the cost of blood testing.

In the dairy industry we test at the dairies. We take milk samples and send technicians into the dairies to take milk samples, and we test without the owner ever knowing it, except that he knows in principle that it is being tested; but he does not know when—not that we would mind telling him. We simply take milk samples from all the dairies, and all the dairy milk producing herds, whether the milk goes to a dairy, or a creamery or a cheese factory, are tested two or three times a year.

Mr. HORNER (*Acadia*): With regard to the back tagging of beef cattle, Dr. Wells, is this done at all public stockyards—and I am thinking of the west, in particular?

Mr. WELLS: It is done in large stockyards.

Mr. HORNER (*Acadia*): And all commercial cattle going for slaughter are back tagged?

Mr. WELLS: They can be back tagged, if the owner so signifies.

Mr. HORNER (*Acadia*): If the owner so signifies?

Mr. WELLS: Yes. We have to know who the owner is. We do not particularly—

Mr. HORNER (*Acadia*): The cattle are sold under the owner's name. I was under the impression that all slaughter cows today are back tagged.

Mr. WELLS: Every one that we can identify is back tagged.

Mr. HORNER (*Acadia*): Every one that you can identify?

Mr. WELLS: As coming from an owner. There is no sense in testing—

Mr. HORNER (*Acadia*): But the owner does not really have to signify his desire to have that test?

Mr. WELLS: No; if a drover brings a truck load of cattle into a stockyard and they can be identified as coming from an owner we back tag them.

Mr. HORNER (*Acadia*): In my judgment, it would be good business for an owner to sell his culls and his slaughter costs—whatever the case may be—at a public stockyard for at least the next three years so that he will be saved the annoyance of having his herd tested.

Mr. WELLS: We provide many ranchers with back tags in advance and many of them put on their own back tags and mail the form to us showing the numbers of back tags they have put on. If you would like to do it, sir, we would be happy to provide you with back tags.

Mr. HORNER (*Acadia*): I am not thinking of myself, Dr. Wells.

Mr. WELLS: We are, though. We worry about you.

Mr. HORNER (*Acadia*): I am thinking of the livestock industry generally.

A number of my constituents have spoken to me about this. I have a number of neighbours now who are continuing with the blood testing program. I think last week end, my men helped a neighbour blood test his cows again. He was very reluctant to be annoyed by the federal Department of Agriculture and why in h - - - did they have to test his cows.

Mr. WELLS: It might well have been that we picked up a questionable—

Mr. HORNER (*Acadia*): He had a reactor last summer. He said he was going to have to test them all again in three years at any rate. I told him I did not know, but not necessarily if he sold his cows at a public stockyard for the next three years and they were back tagged and came clean.

Mr. WELLS: And he can ensure their identity by putting his own back tags on and providing us with the serial numbers. The back tags are all numbered serially.

Mr. HORNER (*Acadia*): The serial number on the cow's ear?

Mr. WELLS: No; on the back tag. The back tag is a big piece of plastic which is glued on to the cow.

Mr. HORNER (*Acadia*): I know what you mean.

Mr. WELLS: You glue it right on to the cow. It is coded by province, by sub-district and then the number of the animal, which is the owner.

Mr. HORNER (*Acadia*): I am through, Mr. Chairman. Again I want to thank Dr. Wells. His information has been very helpful to me, to better explain the Department of Agriculture in all its many avenues and facets in my constituency. I hope I have not been too boring an examiner today.

The CHAIRMAN: We will have to adjourn shortly, but before we do I want the departmental statements, prepared on items 40 and 45, the health of

animals, and the letter and the questionnaire sent to the importers wishing to import cattle from France, to be printed as an appendix to today's proceedings.

It is so moved by Mr. Horner and seconded by Mr. Matte. All in favour of the motion.

Motion carried.

The CHAIRMAN: We will meet again on Thursday morning. I do not think we should try to have a meeting tomorrow.

Mr. HORNER (*Acadia*): Who will be the witness, Mr. Chairman?

The CHAIRMAN: I think we will proceed with the witnesses we had today.

Are you available, Dr. Wells?

Mr. WELLS: Yes, I am available.

The CHAIRMAN: Someone said you were going home on Wednesday night!

Mr. HORNER (*Acadia*): I would not like that to be on the record, because I really do not think I will be going home on Wednesday night.

APPENDIX I

Statement for the information of

THE STANDING COMMITTEE

on

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Subject: DEPARTMENT OF AGRICULTURE

1966-67 Estimates

Votes 55 and 60—Land Rehabilitation, Irrigation and Water Storage Project

1. Prairie Farm Rehabilitation Administration

Department of Agriculture

May 15, 1966

PRAIRIE FARM REHABILITATION ADMINISTRATION

The Prairie Farm Rehabilitation Act was passed in 1935 to provide for the rehabilitation of areas in Manitoba, Saskatchewan and Alberta subject to drought and soil drifting. In 1937 the Act was amended to include land utilization and resettlement.

The Headquarters of the Prairie Farm Rehabilitation administration are located in Regina with regional offices in Winnipeg and Calgary and district offices strategically located throughout the three provinces.

The principal officers are M. J. Fitzgerald, Director; H. J. Hargrave, Deputy Director and Chief, Land Use Service; J. G. Watson, Chief Engineer; J. E. Beamish, Chief, Water Development Service. A liaison office in Ottawa is under Associate Director D. J. Thiessen (see attached chart).

The P.F.R.A. operations come under two broad categories—Land Use and Water Development.

Land Use Service.

The principal activity under land use service is the development of community pastures. Under this program, lands, sub-marginal for cereal production but suitable for grazing are leased to P.F.R.A. by the province for pasture purposes. P.F.R.A. pays the capital cost of developing the pastures and maintains and operates them. The latter costs are offset by moneys collected as fees from patrons using the pastures.

The P.F.R.A. now operates 87 pastures with a fenced acreage of approximately 2½ million acres which provides summer grazing for approximately 155,000 head of livestock.

Grazing fees are uniform in all pastures. Included in the fee is a tax levy of one cent per day per animal to reimburse the municipalities for loss in tax revenue on pasture lands. The fees are:—

Cattle— .06c. per day (includes .01c. tax levy)
Calves—$4.00 per season (sucking with dam, born before August 1)
Breeding Service—$5.00 per cow.

A program of artificial insemination is in operation in a number of pastures. It is P.F.R.A. policy to introduce artificial insemination when the majority of the patrons favour it.

Water Development Service.

This service provides financial and technical assistance for the construction of farm and community water conservation projects as well as for large water storage and irrigation works. The service provided comes under three main headings:

Small Water Projects.
Community Water Projects.
Major Irrigation and Water Control Projects.

Small Water Projects.

In this category is the farm dugout, the stockwatering dam and the small irrigation project. These are built privately and P.F.R.A. provides grants to a maximum of $300.00, $300.00 and $600.00 respectively. To date a total of 94,482 such individual farm projects have been constructed in the three provinces and P.F.R.A. has made a grant toward their construction in the amount of $31,150,-347.00 as of April 30th, 1965.

Community Water Projects.

This involves the construction ot dams and related works for storage and conservation of water to serve a community. The cost of these projects may vary from a few thousand dollars to several hundred thousand dollars. These projects are undertaken by agreement with the province or local government.

P.F.R.A. operates six irrigation projects in southwest Saskatchewan with 25,000 acres fully developed for irrigation. The purpose of these projects was to provide dry land farmers with a plot of irrigable land for an assured hay or coarse grain crop for livestock. Irrigation water is supplied from 25 reservoirs maintained and operated by P.F.R.A.

Major Irrigation and Water Control Projects.

These projects are constructed under special agreement with the provinces on a cost sharing basis. Examples of projects of this kind are:

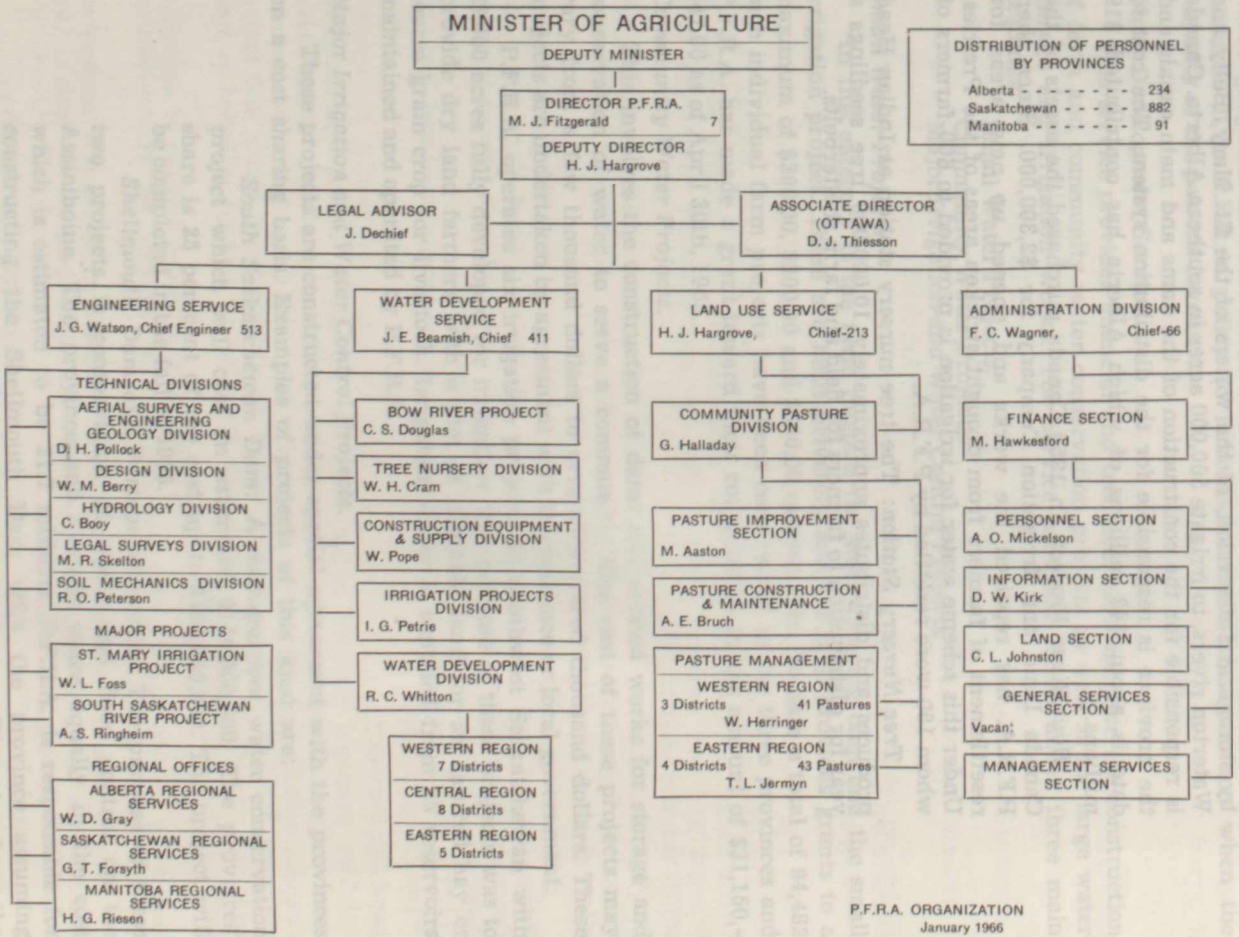
South Saskatchewan Dam: A multipurpose water conservation project which will cost an estimated $110,000,000. The provinces' share is 25 per cent of the cost up to $100,000,000. The project will be completed in the fall of 1966.

Shellmouth Dam and Portage Diversion: The purpose of these two projects is conservation of water and flood control on the Assiniboine. The province and Canada share equally in the cost which is estimated to be 21.7 millions. P.F.R.A. is responsible for constructing the Shellmouth Dam with the province assuming responsibility for the construction of the Portage Diversion from the Assiniboine River to Lake Manitoba.

St. Mary River Project: This project involves the conservation by storage and diversion, of the waters of the St. Mary, Belly and Waterton rivers, to irrigate 500,000 acres in southern Alberta. Canada is responsible for the construction of the dams and main canals and the province is responsible for the distribution system. The cost to date is about $42 millions of which Alberta has contributed $19 millions.

Bow River Project: In 1950 Canada purchased the assets of the Canada Land and Irrigation Company for $2,300,000. Since then P.F.R.A. has repaired the works and opened up new areas for resettlement of farmers from drought stricken areas of the Prairies. Under this scheme water for irrigation is provided to 600 farmers of whom 150 were resettled by P.F.R.A.

Tree Nursery Station: The tree nursery station at Indian Head produces and distributes approximately 10,000,000 tree seedlings a year for distribution to farmers for field and farm shelterbelts.



P.F.R.A. ORGANIZATION
January 1966

APPENDIX II

Statement for the information of

THE STANDING COMMITTEE

on

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Subject: DEPARTMENT OF AGRICULTURE

1966-67 Estimates

Votes 40 and 45 — Health of Animals Branch

Department of Agriculture
May 17, 1966

HEALTH OF ANIMALS BRANCH

This Branch consists of three Divisions—Contagious Diseases, Meat Inspection and Animal Pathology.

Contagious Diseases Division

This Division administers the Animal Contagious Diseases Act, which gives it authority to control, eradicate and prevent the introduction of infectious animal diseases. The operations fall into five main categories.

(*a*) *Eradication of diseases not established in Canada*

Hog cholera is typical of this category, as was the foot and mouth outbreak in Saskatchewan in 1952. When outbreaks of diseases of this kind occur all animals on the infected premises and exposed animals are slaughtered and the owners are paid compensation at market values.

(*b*) *Eradication of diseases established in Canada*

The procedure with respect to such diseases takes two forms. One is the testing and slaughter of infected animals. The other is quarantine and treatment.

The two main diseases dealt with under the testing and slaughter program are tuberculosis and brucellosis.

Every section of Canada has now been tested for tuberculosis and every area is a TB accredited area.

All areas have now been tested for brucellosis with the exception of two small parts of Quebec and Newfoundland, which will be completed by the Fall of 1966.

For animals which are ordered slaughtered under the tuberculosis and brucellosis eradication programs, compensation is paid to a maximum of $140 for purebred cattle and $70 for grade cattle. The owner also receives the carcass value of the animal.

Diseases such as Mange are controlled by quarantine on infected premises and treatment of the animals.

(c) *Control of diseases established in Canada*

This activity deals with diseases, primarily rabies and anthrax, where eradication of the disease is not feasible. All reported cases are investigated and quarantines applied with respect to domestic animals. Exposed animals are vaccinated for anthrax. Where there is danger of exposure of rabies through dogs or cats, vaccination of these animals is undertaken.

(d) *Prevention of introduction of foreign diseases*

This is carried out through the control of imports. Any material which can carry diseased organisms, from countries in which serious animal diseases are present, are either prohibited entering or are permitted entry under adequate control and safeguard restrictions. Animal imports are only permitted from countries in which there is adequate control of serious foreign diseases. All animal importations are subject to either certification inspection or to quarantine upon arrival in Canada.

Garbage from foreign ships and aircraft being recognized as a serious disease hazard is controlled at all sea going ports and international airports.

(e) *Export certification*

The Division issues health certificates, as required by importing countries, on livestock exported from Canada.

MEAT INSPECTION DIVISION

The Meat Inspection Division administers the "Canada Meat Inspection Act" and the "Humane Slaughter of Food Animal Act."

The Canada Meat Inspection Act requires that all meat slaughtering and meat processing plants dealing in interprovincial or export trade operate under the Federal Veterinary Meat Inspection system, as established by the Act.

In plants operating under the Meat Inspection Act, the Department provides resident inspection either by veterinarians or by technicians under veterinary supervision.

All animals slaughtered in inspected establishments are given ante and post mortem inspection. Plants must comply with standards of construction and equipment in order to ensure proper sanitation and operation.

While the Meat Inspection Act makes meat inspection compulsory only for plants operating either interprovincially or in export, a number of plants operating only in one province have voluntarily come under meat inspection.

The demand for meat inspection services has been growing rapidly, to the point that it is estimated 80 per cent of all meat and meat products produced in Canada are put up under the Canada Meat Inspection Act. These meat and meat products carry the Canada meat inspection legend.

There are at present 327 plants operating under the Meat Inspection Act.

The Meat Inspection Division is also responsible for the inspection of meats imported into Canada. All imported meats must come from a country which has a national system of veterinary meat inspection substantially equivalent to our own.

In addition, exports of meats and meat food products are provided with the Veterinary Meat Inspection certificates as required by importing countries.

Associated with the Meat Inspection Act the Branch also administers the Humane Slaughter of Food Animals Act. Under this Act all slaughtering plants under Federal Veterinary inspection are required to slaughter animals in accordance with humane practices. In the main this requires adequate stunning of animals by an approved method prior to their shackling and hanging.

Animal Pathology Divison

The Animal Pathology Division through a system of a main laboratory at Hull and eight branch laboratories at Sackville, New Brunswick; Ste-Anne de Bellevue, Quebec; Grosse Ile, Quebec; Guelph, Ontario; Winnipeg, Manitoba; Regina, Saskatchewan; Lethbridge, Alberta; and Vancouver, B.C. conduct animal disease research and provide the necessary diagnostic technical services to the Contagious Diseases and Meat Inspection Divisions.

Research into animal diseases covers the broad field including causative agents , methods of transmission and the development of diagnostic tests on both domestic and foreign diseases.

Diagnostic procedures are undertaken for all diseases whether or not established in Canada. During the past year 23,891 specimens exclusive of 2,317,278 brucellosis blood samples, were received and checked out.

The Animal Pathology Laboratories also provide a technical advisory service to the Contagious Diseases Division on biologics and to the Plant Products Division of the Production and Marketing Branch on related pesticides.

Each Division of the Branch is headed by a Director at Ottawa, under the Veterinary Director General. The work of the Contagious Diseases Division and the Meat Inspection Division are administered in the field by a District Veterinarian in each of the provinces, except the four Atlantic Provinces, for which there is one District Veterinarian.

The principal officers of the Branch are K. F. Wells, Veterinary Director General, R. J. McClenaghan, Director, Contagious Diseases; C. K. Hetherington, Director, Meat Inspection; and J. F. Frank, Acting Director, Animal Pathology Division.

APPENDIX III

Statement for the information of

THE STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Subject: DEPARTMENT OF AGRICULTURE

HEALTH OF ANIMALS BRANCH

Importation of Cattle from Countries not Traditionally Free of Foot-and-Mouth Disease

Department of Agriculture
June 9, 1966

Importation of Cattle from Countries not Traditionally Free of Foot-and-Mouth Disease

Traditionally, importations of cattle into Canada have only been permitted from countries free of foot-and-mouth disease. The instances of foot-and-mouth disease in many European countries, over the years, have automatically eliminated these countries from importation. In recent years, however, organized control programs under the auspices of the European Foot and Mouth Disease Control Commission have been successful in freeing large areas in some countries of this disease. This favourable disease situation existed in France in 1965, at which time the proposal of the livestock industry to import French blood lines into Canada, to improve the efficiency of our Canadian breeds, was considered by the Department.

Taking advantage of the successful campaign against foot-and-mouth disease in France where compulsory slaughter had been practised since 1961, and where large well-delineated areas could be defined and identified, together with improved testing techniques, it was decided to establish conditions and safeguards which would provide complete assurance that the animals to be imported were free of disease.

Regulations, which have been in effect for many years, permit importations with the usual disease certification and quarantine, if there has been no foot-and-mouth disease, contagious pleuropneumonia, rinderpest, or other serious infectious and contagious disease in the district of origin for a period of six months prior to shipment.

Conditions for the importation were established and, prior to an import permit being issued, all persons who had applied for a permit were asked to indicate to the Department that they fully understood the conditions of importation. The health conditions and various tests were established only after considerable deliberation with our own specialists, as well as authorities from the U.S.A. and Britain. There is a copy of the conditions of importation herewith and, briefly, they provide for inspection and testing on the farms of

origin, quarantine and further tests in the quarantine station of the country of origin, and an additional protracted quarantine here in Canada with a repetition of tests again.

For quarantine in Canada, a new maximum security quarantine station was established at Grosse Ile which is an island in the St. Lawrence River, some thirty miles east of Quebec City, and, which because of its isolation, being surrounded entirely by water, offered an excellent site for quarantine purposes. While in Canadian quarantine, the cattle were again submitted to serological and other tests (probang and mouse inoculation) for foot-and-mouth disease, brucellosis, leptospirosis, a haematological examination for leucosis, a test for tuberculosis and Johne's disease, and a biological test for Blue tongue disease.

These special tests for Blue tongue were undertaken by the Veterinary Laboratory at Onderstepoort, South Africa. All the foot-and-mouth disease tests, and eight (8) different types of tests were employed, were conducted at the Foot and Mouth Disease Research Laboratory, Pirbright, England.

During the quarantine at Grosse Ile, Canadian control animals were placed in contact with the French cattle in the ratio of approximately four imported animals to one Canadian control. The Canadian cattle, of course, had to be submitted to and pass negative tests for the same diseases as the imported cattle.

One hundred and thirteen (113) animals came to Canada, arriving in the Grosse Ile maximum security quarantine station on October 21st, 1965. During the Canadian quarantine, one animal died as a result of a bowel twist, and three animals failed to pass the tests. These three animals were not released from quarantine and were destroyed.

In establishing the conditions of health, this very eventuality that some of the cattle would not pass the tests was recognized, and provision was made in the conditions that if any or all of the imported or test animals were not classed as negative to any of the tests, the Department could cause any or all of them to be destroyed. Similarly, if any or all of the imported or test animals showed clinical symptoms of disease, the Department retained the authority to cause any or all of them to be destroyed without compensation to the owner. In the case of foot-and-mouth disease, the conditions spelled out specifically that if any or all of the imported or test animals showed clinical symptoms of foot-and-mouth disease, the Department "shall cause all of them to be slaughtered and the carcasses disposed of as considered fit without compensation to the owner".

As a further condition of importation, following the discharge of the cattle from Grosse Ile, the imported animals were added to a Canadian herd of susceptible cattle, and the Canadian herd, together with the imported cattle, was placed under Departmental quarantine for a three-month period. They are, of course, being regularly inspected during this quarantine. Insofar as the health conditions of importation are concerned, once the cattle have completed this three-month premises quarantine and, of course, have remained healthy, the imported cattle and the Canadian herd are free to move without restriction.

Import permits were issued to 67 Canadians who purchased the cattle in France. In addition to this cost, the importers bore the cost of the French quarantine, of all transportation and feeding, as well as the cost of the four attendants to look after the cattle at Grosse Ile. The Department provided the quarantine facility on Grosse Ile.

It should be understood that these broad and rigid Veterinary Conditions of Importation, as well as the maximum security quarantine station at Grosse Ile, were established to permit the importation of cattle, not specifically Charolais cattle, but any breed of cattle from France.

CONDITIONS FOR THE IMPORTATION OF CATTLE FROM COUNTRIES IN EUROPE

APPROVED BY THE VETERINARY DIRECTOR GENERAL

HEALTH OF ANIMALS BRANCH, CANADA DEPARTMENT OF AGRICULTURE

Cattle shall be moved from the country of origin through an official quarantine station of that country. The quarantine station must be approved for this purpose by the Veterinary Director General of the Canada Department of griculture.

1. Cattle from areas where foot and mouth vaccination is regularly practised must not be over nine months of age at the date of the commencement of the Canadian quarantine period in the quarantine station of the country of origin.

2. Cattle intended for importation into Canada shall be inspected in the country of origin by a veterinary officer of the Government of Canada, on the farms of origin and during the official quarantine.

Pre-quarantine Conditions

Before entry to the approved quarantine station, certificates issued by a duly authorized veterinary officer of the country of origin are to be furnished to the Veterinary Director General of Canada to the effect:

(*a*) (i) that he has inspected the animals and found them free from any evidence of infectious or contagious disease, and that no foot and mouth disease or other serious infectious or contagious disease affecting cattle has existed on the premises of origin or within ten miles (sixteen kilometres) of the premises of origin for a period of nine months immediately prior to the quarantine in the country of origin;

(ii) that no animal on the premises of origin which was susceptible to the virus of foot and mouth disease was exposed to the disease during the nine months prior to the date of inspection of the animal; and

(iii) that the country of origin is free of rinderpest, contagious pleuro-pneumonia and such other diseases as may be specified by the Veterinary Director General of Canada.

(*b*) that the cattle have passed a negative test for tuberculosis within thirty days before leaving the premises of origin;

(*c*) that the cattle have passed a negative serum agglutination test for brucellosis within thirty days before leaving the premises of origin;

(*d*) that, insofar as can be determined, vibrio fetus and trichomonas infections are not present in the cattle or the herd of origin;

(*e*) (i) that the cattle and the herd of origin show no clinical evidence of the presence of nor history of the occurrence of leucosis, and

(ii) that a haematological examination in respect of each animal within thirty days before leaving the premises of origin showed no abnormality;

(*f*) that leptospirosis has not been diagnosed in the cattle or herd of origin within the previous twelve months either clinically or by serological tests, and that the cattle to be imported have been subjected to agglutination-lysis tests (serotypes L. pomona, L. canicola, L. hyos, L. icterohaemorrhagiae, L. autumnalis, L. ballum, L. sejroe, L. grippotyphosa and L. australis) with negative results within thirty days before leaving the premises of origin;

(*g*) that subsequent to the commencement of the tests prescribed, the animals were kept separate from all other animals while on the farm of origin;

(*h*) that the cattle at no time have been affected with or exposed to foot and mouth disease, have not been vaccinated against it, and that serological tests were carried out with negative results within thirty days before leaving the premises of origin;

(*i*) that the cattle originated on premises on which Johne's disease is not known to exist, and that the cattle offered for quarantine were subjected to tests for Johne's disease with negative results within thirty days before leaving the premises of origin; and

(*j*) that insofar as can be determined Blue Tongue has not existed on the premises of origin during the previous twelve months.

Conditions of Quarantine in the Country of Origin

(*a*) The quarantine station of the country of origin must have been thoroughly cleansed and disinfected, in a manner satisfactory to the Veterinary Director General of Canada, immediately prior to the entry of the animals intended for quarantine.

(*b*) Transport of the cattle from the premises of origin to the quarantine station in the country of origin must be effected in specially disinfected railway trucks or mechanically propelled road vehicles by the most direct available and suitable route, all in a manner satisfac-

tory to the Veterinary Director General of Canada. At no time during transit shall they be unloaded or come in contact with animals not similarly destined for the quarantine station.

(*c*) Cattle intended for importation shall undergo a quarantine in the approved official quarantine station for at least thirty days under the joint supervision of a veterinary officer of the country of origin and a veterinary officer of the Government of Canada. No animals, other than those intended for export to Canada, shall be kept in the quarantine station at the same time.

(*d*) Cattle in the quarantine station shall be subjected to serological and other tests as prescribed for foot and mouth disease under Canadian veterinary authority and found negative before shipment to the Canadian quarantine station is authorized.

(*e*) Temperatures of all cattle in the quarantine station shall be taken twice daily.

(*f*) All feed and litter for use in the quarantine station shall be supplied directly from Canada or from a country considered free from foot and mouth disease and other serious epizootics by the Veterinary Director General of Canada.

(*g*) On completion of the quarantine period, the cattle shall not be accepted for shipment to Canada unless the veterinary officer of the country of origin and the Canadian veterinary officer give a certificate to the effect that the cattle have been kept under quarantine under their supervision for the stated period, and that during that time they remained healthy and showed no clinical signs of any contagious, infectious or parasitic disease affecting cattle and that all applicable requirements have been met.

(*h*) The cattle shall be moved under veterinary supervision direct from the quarantine station to the vessel for export by specially disinfected, mechanically propelled road vehicle by the most direct available and suitable route to the vessel for export, all in a manner satisfactory to the Veterinary Director General of Canada. During transit they shall not be unloaded nor permitted to come in contact with any other animals.

Movement by Sea

(*a*) The cattle must be transported direct from the country of origin to Canada by a surface vessel.

(*b*) The vessel on which the cattle are to be transported to Canada shall immediately prior to loading be thoroughly cleansed and disinfected to the satisfaction of a veterinary officer of the Government of Canada.

(*c*) While the cattle are on board, no other ruminant animals nor swine shall be on the vessel.

(*d*) All feed and litter for the cattle shall be provided directly from Canada or from a country considered free from foot and mouth disease and other serious epizootics by the Veterinary Director General of Canada. and no other feed or litter shall be permitted to be on board.

Quarantine at Canadian Quarantine Station, Grosse Ile

(*a*) The landing of the cattle shall be carried out in accordance with such instructions as the Veterinary Director General may give.

(*b*) The vessel from which the imported cattle are landed shall be immediately cleansed and disinfected under direct supervision of a veterinary officer of the Canada Department of Agriculture.

(*c*) The cattle shall be kept in the quarantine station for a period of at least ninety days after arrival under the supervision of a veterinary officer of the Canada Department of Agriculture.

(*d*) During the period of quarantine, the cattle shall be subjected to serological and other tests (probang and mouse inoculation) for foot and mouth disease, the blood agglutination test for bovine brucellosis, the agglutination-lysis test for leptospirosis (serotypes, L. pomona, L. canicola, L. hyos, L. icterohaemorrhagiae, L. autumnalis, L. ballum, L. sejroe, L. grippotyphosa, and L. australis), a haematological examination for leucosis, a test for tuberculosis, a biological test for Blue Tongue, and such other tests as the Veterinary Director General may prescribe.

(*e*) If any or all of the imported or test animals are not classed as negative to any of the tests, the Canada Department of Agriculture may cause any or all of them to be slaughtered and the carcass or carcasses disposed of as considered fit, without compensation to the owner.

(*f*) If any or all of the imported or test animals show clinical symptoms of disease, the Canada Department of Agriculture may cause any or all of them to be slaughtered and the carcass or carcasses disposed of as considered fit, without compensation to the owner.

(*g*) If any or all of the imported or test animals show clinical symptoms of foot and mouth disease, the Canada Department of Agriculture shall cause all of them to be slaughtered and the carcasses disposed of as considered fit, without compensation to the owner.

(*h*) The tempertaures of the cattle will be taken twice daily while in quarantine.

(*i*) No cattle shall be moved from the quarantine station until duly discharged therefrom under the authority of the Veterinary Director General of Canada.

Quarantine on Canadian Farm at Destination

Following the discharge of the imported cattle from the Canadian Quarantine Station, Grosse Ile, the imported cattle and any or all offspring shall be added to a Canadian herd of susceptible cattle, approved by the Veterinary Director General of Canada. This Canadian herd, together with the imported cattle, shall be placed under Departmental quarantine for a three-month period. Following the release from that quarantine, the Canadian herd and the imported cattle shall be free to move without restriction. During the three-month quarantine period, the cattle will be inspected at intervals of not more than four weeks. The first inspection will take place within fourteen days following the arrival of the imported cattle.

Ottawa, March 19, 1965.

APPENDIX IV

Our File No. 723.13

Ottawa, Ontario
June 13, 1966

Dear Sir:—

Further to your application for a permit to import cattle from France this winter through the Grosse Ile quarantine station, conditions covering the movement of cattle from France to Canada have now been completed and a copy is attached.

You will note from the health conditions that only calves under nine months of age at the time they enter the Brest Quarantine Station in France can be moved to Canada. This means the the timing schedules of purchase and quarantine in France and quarantine in Canada must be closely coordinated.

As we expect to have the Canadian quarantine period at Grosse Ile commence in October, the cattle will have to enter the Brest Quarantine Station in France some time during the latter part of August or the early part of September.

Carrying this back further, it points out that, as the cattle must be tested within 30 days before entering the Brest station, these tests must be commenced by the first of August. Therefore, from a buyer's point of view, selections should be made during July.

From the experience of previous buyers in France submitting cattle to tests similar to those required in the Canadian conditions, it would appear that up to 50 per cent of the cattle selected may be rejected for one test or another. Therefore, in making selections in France, it is felt that twice the number of cattle for which you have an import permit should be selected and submitted to test, with the understanding that only the permit specified number will be admitted to quarantine.

It will be noted in the health conditions attached that the quarantine period at Grosse Ile is to be a minimum of 90 days. However, because of the numerous tests which must be applied to the cattle, together with the ice conditions in the St. Lawrence River and the fact that the Grosse Ile quarantine will be commencing in October, it is not anticipated that the cattle will be released from Grosse Ile until the following April or May.

In addition to meeting the health requirements as outlined, the importer will be required to pay the cost of care and feed for the livestock, both at the Brest Quarantine Station in France and at the Canadian Grosse Ile Station, together with charges for the special tests required on these animals and $5.00 per day per head quarantine charges for a maximum of 90 days. Also, of course, all transportation costs must be paid by the importer.

While, at this time, we cannot determine definitely the total cost of transportation, it has been estimated that costs, not including the initial purchase price, transportation and insurance will be in the vicinity of $1,200.00 to $1,400.00 per head.

The maximum capacity of the Grosse Ile Quarantine Station is limited, and therefore, the number being imported each year will be controlled by this factor. We have requests for permits to cover well in excess of the number that can be handled, consequently, before arriving at a decision with respect to the number of permits which can be issued, we must have a firm commitment from prospective importers that they wish their application for a permit to stand.

Therefore, after carefully reading the conditions of importation, the two attached statements requiring a statutory declaration, and this letter, please consider whether you want your 1966 application to import cattle from France to stand. In order to have your application considered, it will be necessary to have the two attached statutory declaration forms completed and return one copy of each to reach this office not later than Friday, June 24th.

Yours truly,

K. F. Wells,
Veterinary Director General.

KFW/mc
Att.

STATEMENT RE ACCEPTANCE OF CONDITIONS OF IMPORTATION OF CATTLE FROM FRANCE

I, ..., of .....

in the Province of ..... do solemnly declare;

That I have read, understand and agree to the conditions covering the importation of cattle from France through the Grosse Ile quarantine station as contained in the document "1966 Conditions Covering the Importation of Cattle from France" as issued by the Veterinary Director General on June 13th, 1966,

AND THAT I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of the *Canada Evidence Act.*

DECLARED before me at .....
in .....
this .....
..... A.D. 19...

.....
Notary Public
Commissioner of Oaths etc...

SUPPLEMENTARY STATEMENT RE APPLICATION TO IMPORT CATTLE FROM FRANCE

1. Do you now maintain cattle on a premises operated by yourself?

   Yes ☐ No ☐

   (a) If "yes", give location of cattle premises.

2. Do you intend to retain in Canada the cattle for which you are now applying for an import permit?

   Yes ☐ No ☐

3. If answer to question 2 above is "yes", do you agree that an export health certificate for these cattle will not be requested for a period of three years from the date of release from quarantine?

   Yes ☐ No ☐

4. Please provide below a statement outlining the purpose for which these cattle are being imported into Canada.

I, ... of .....

in the Province of ..... do solemnly declare that the aforesaid statement is a true and correct response to the questions asked.

AND THAT I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of the *Canada Evidence Act*.

DECLARED before me at .....
in ....
this .....
..... A.D. 19...

.....
Notary Public
Commissioner of Oaths etc...

1966 CONDITIONS FOR THE IMPORTATION OF CATTLE FROM FRANCE APPROVED BY THE VETERINARY DIRECTOR GENERAL HEALTH OF ANIMALS BRANCH, CANADA DEPARTMENT OF AGRICULTURE

Cattle shall be moved from the country of origin through an official quarantine station of that country. The quarantine station must be approved for this purpose by the Veterinary Director General of the Canada Department of Agriculture.

1. Cattle from areas where foot and mouth vaccination is regularly practised must not be over nine months of age at the date of the commencement of the Canadian quarantine period in the quarantine station of the country of origin.

2. Cattle intended for importation into Canada shall be inspected in the country of origin by a veterinary officer of the Government of Canada, on the farms of origin and during the official quarantine.

Pre-quarantine Conditions

Before entry to the approved quarantine station, certificates issued by a duly authorized veterinary officer of the country of origin are to be furnished to the Veterinary Director General of Canada to the effect:

(*a*) (i) that he has inspected the animals and found them free from any evidence of infectious or contagious disease, and that no foot and mouth disease or other serious infectious or contagious disease affecting cattle has existed on the premises of origin or within ten miles (sixteen kilometres) of the premises of origin for a period of nine months immediately prior to the quarantine in the country of origin;

(ii) that no animal on the premises of origin which was susceptible to the virus of foot and mouth disease was exposed to the disease during the nine months prior to the date of inspection of the animal; and

(iii) that the country of origin is free of rinderpest, contagious pleuropneumonia and such other diseases as may be specified by the Veterinary Director General of Canada.

(*b*) that the cattle have passed a negative test for tuberculosis within thirty days before leaving the premises of origin;

(*c*) that the cattle have passed a negative serum agglutination test for brucellosis within thirty days before leaving the premises of origin;

(*d*) that, insofar as can be determined, vibrio fetus and trichomonas infections are not present in the cattle or the herd of origin;

(*e*) (i) that the cattle and the herd of origin show no clinical evidence of the presence of nor history of the occurence of leucosis, and

(ii) that a haematological examination in respect of each animal within thirty days before leaving the premises of origin showed no abnormality;

(*f*) that leptospirosis has not been diagnosed in the cattle or herd of origin within the previous twelve months either clinically or by serological tests, and that the cattle to be imported have been subjected to agglutination-lysis tests with negative results within thirty days before leaving the premises of origin;

(*g*) that subsequent to the commencement of the tests prescribed, the animals were kept separate from all other animals while on the farm of origin;

(*h*) that the cattle at no time have been affected with or exposed to foot and mouth disease, have not been vaccinated against it, and that serological tests were carried out with negative results within thirty days before leaving the premises of origin;

(*i*) that the cattle originated on premises on which Johne's disease is not known to exist, and that the cattle offered for quarantine were subjected to tests for Johne's disease with negative results within thirty days before leaving the premises of origin; and

(*j*) that insofar as can be determined Blue Tongue has not existed on the premises of origin during the previous twelve months.

Conditions of Quarantine in the Country of Origin

(*a*) The quarantine station of the country of origin must have been thoroughly cleansed and disinfected, in a manner satisfactory to the Veterinary Director General of Canada, immediately prior to the entry of the animals intended for quarantine.

(*b*) Transport of the cattle from the premises of origin to the quarantine station in the country of origin must be effected in specially disinfected railway trucks or mechanically propelled road vehicles by the most direct available and suitable route, all in a manner satisfactory to the Veterinary Director General of Canada. At no time during transit shall they be unloaded or come in contact with animals not similarly destined for the quarantine station.

(*c*) Cattle intended for importation shall undergo a quarantine in the approved official quarantine station for at least thirty days under the joint supervision of a veterinary officer of the country of origin and a veterinary officer of the Government of Canada. No animals, other than those intended for export to Canada, shall be kept in the quarantine station at the same time.

(*d*) Cattle in the quarantine station shall be subjected to serological and other tests as prescribed for foot and mouth disease under Canadian veterinary authority and found negative before shipment to the Canadian quarantine station is authorized.

(*e*) Temperatures of all cattle in the quarantine station shall be taken daily.

(*f*) All feed and litter for use in the quarantine station shall be supplied directly from Canada or from a country considered free from foot and mouth disease and other serious epizootics by the Veterinary Director General of Canada.

(*g*) On completion of the quarantine period, the cattle shall not be accepted for shipment to Canada unless the veterinary officer of the country of origin and the Canadian veterinary officer give a certificate to the effect that the cattle have been kept under quarantine under their supervision for the stated period, and that during that time they remained healthy and showed no clinical signs of any contagious, infectious or parasitic disease affecting cattle and that all applicable requirements have been met.

(*h*) The cattle shall be moved under veterinary supervision direct from the quarantine station to the vessel for export by specially disinfected, mechanically propelled road vehicle by the most direct available and suitable route to the vessel for export, all in a manner satisfactory to the Veterinary Director General of Canada. During transit they shall not be unloaded nor permitted to come in contact with any other animals.

Movement by Sea

(*a*) The cattle must be transported direct from the country of origin to Canada by a surface vessel.

(*b*) The vessel on which the cattle are to be transported to Canada shall immediately prior to loading be thoroughly cleansed and disinfected to the satisfaction of a veterinary officer of the Government of Canada.

(*c*) While the cattle are on board, no other ruminant animals nor swine shall be on the vessel.

(*d*) All feed and litter for the cattle shall be provided directly from Canada or from a country considered free from foot and mouth disease and other serious epizootics by the Veterinary Director General of Canada, and no other feed or litter shall be permitted to be on board.

Quarantine at Canadian Quarantine Station, Grosse Ile

(*a*) The landing of the cattle shall be carried out in accordance with such instructions as the Veterinary Director General may give.

(*b*) The vessel from which the imported cattle are landed shall be immediately cleansed and disinfected under direct supervision of a veterinary officer of the Canada Department of Agriculture.

(*c*) The cattle shall be kept in the quarantine station for a period of at least ninety days after arrival under the supervision of a veterinary officer of the Canada Department of Agriculture.

(*d*) During the period of quarantine, the cattle shall be subjected to serological and other tests (probang and mouse inoculation) for foot and mouth disease, the blood agglutination test for bovine brucellosis, the agglutination-lysis tests for leptospirosis, a haematological examination for leucosis, a test for tubercolusis, a biological test for Blue Tongue, and such other tests as the Veterinary Director General may prescribe.

(*e*) If any or all of the imported or test animals are not classed as negative to any of the tests, the Canada Department of Agriculture may cause any or all of them to be slaughtered and the carcass or carcasses disposed of as considered fit, without compensation to the owner.

(*f*) If any or all the imported or test animals show clinical symptoms of disease, the Canada Department of Agriculture may cause any or all of them to be slaughtered and the carcass or carcasses disposed of as considered fit, without compensation to the owner.

(*g*) If any or all of the imported or test animals show clinical symptoms of foot and mouth disease, the Canada Department of Agriculture shall cause all of them to be slaughtered and the carcasses disposed of as considered fit, without compensation to the owner.

(*h*) The temperatures of the cattle will be taken routinely while in quarantine.

(*i*) No cattle shall be moved from the quarantine station until duly discharged therefrom under the authority of the Veterinary Director General of Canada.

Quarantine on Canadian Farm at Destination

Following the discharge of the imported cattle from the Canadian Quarantine Station, Grosse Ile, the imported cattle and any or all offspring shall be added to a Canadian herd of susceptible cattle, approved by the Veterinary Director General of Canada. This Canadian herd, together with the imported cattle, shall be placed under Departmental quarantine for a three-month period. Following the release from that quarantine, the Canadian herd and the imported cattle shall be free to move without restriction. During the three-month quarantine period, the cattle will be inspected at intervals of not more than two weeks. The first inspection will take place within fourteen days following the arrival of the imported cattle.

Quarantine Costs

The importer will be required to pay the cost of care and feed for the livestock both at the Brest quarantine station in France and at the Canadian Grosse Ile station, charges for special tests required and five dollars per head per day quarantine charges up to a maximum of ninety days while the cattle are undergoing quarantine at Grosse Ile. All transportation costs must be paid by the importer.

Ottawa, June 13th, 1966.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

OFFICIAL REPORT OF MINUTES

OF

PROCEEDINGS AND EVIDENCE

This edition contains the English deliberations and/or a translation into English of the French.

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DONALD RAYMOND,
The Clerk of the House.

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

Estimates (1966-67) of the Department of Agriculture

THURSDAY, JUNE 30, 1966

WITNESSES:

From the Department of Agriculture: Mr. S. C. Barry, Deputy Minister; Mr. C. R. Phillips, Director-General, Production and Marketing; Dr. K. F. Wells, Veterinary Director-General; Dr. R. J. McClenaghan, Director Contagious Diseases; Dr. W. A. Moynihan, Associate Director, Contagious Diseases; Dr. Julius Frank, Acting Director, Animal Pathology Division; Dr. C. K. Featherington, Director, Meat Inspection Division.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 22

Respecting

Estimates (1966-67) of the Department of Agriculture

THURSDAY, JUNE 30, 1966

WITNESSES:

From the Department of Agriculture: Mr. S. C. Barry, Deputy Minister; Mr. C. R. Phillips, Director-General, Production and Marketing; Dr. K. F. Wells, Veterinary Director-General; Dr. R. J. McClenaghan, Director Contagious Diseases; Dr. W. A. Moynihan, Associate Director, Contagious Diseases; Dr. Julius Frank, Acting Director, Animal Pathology Division; Dr. C. K. Heatherington, Director, Meat Inspection Division.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24793—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),	Mr. Grills,	Mr. Nowlan,
Mr. Beer,	Mr. Herridge,	Mr. Olson,
Mr. Berger,	Mr. Honey,	Mr. Peters,
Mr. Choquette,	Mr. Hopkins,	Mr. Pugh,
Mr. Clermont,	Mr. Horner (*Acadia*),	Mr. Rapp,
Mr. Comtois,	Mr. Johnston,	Mr. Ricard,
Mr. Crossman,	Mr. Jorgenson,	Mr. Roxburgh,
Mr. Danforth,	Mr. Lefebvre,	Mr. Schreyer,
Mr. Éthier,	Mr. MacDonald (*Prince*),	Mr. Stafford,
Mr. Faulkner,	Mr. Matte,	Mr. Stefanson,
Mr. Forbes,	Mr. McKinley,	Mr. Tucker,
Mr. Gauthier,	Mr. Moore (*Wetaskiwin*),	Mr. Watson (*Assiniboia*),
Mr. Gendron,	Mr. Muir (*Lisgar*),	Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Godin,	Mr. Neveu,	
	Mr. Noble,	Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, June 30, 1966.
(29)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 9.55 o'clock a.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Comtois, Danforth, Éthier, Faulkner, Forbes, Gauthier, Gendron, Godin, Grills, Honey, Hopkins, Laverdière, Lefebvre, MacDonald (*Prince*), McKinley, Neveu, Noble, Peters, Rapp, Ricard, Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan, Yanakis **(24).**

Also present: Mr. LeBlanc (*Rimouski*), M.P., and Mr. McLellan, M.P.

In attendance: From the Department of Agriculture: Mr. S. C. Barry, Deputy Minister; Mr. J. S. Parker, Director General, Departmental Administration; Mr. C. R. Phillips, Director General, Production and Marketing Branch; Dr. K. F. Wells, Veterinary Director General, Dr. R. J. McClenaghan, Director, Contagious Diseases; Dr. W. A. Moynihan, Associate Director, Contagious Diseases; Dr. Julius Frank, Acting Director, Animal Pathology Division; Dr. C. K. Heatherington, Director, Meat Inspection Division.

The Committee resumed consideration of the estimates of the Department of Agriculture for the fiscal year 1966-67, items 40 and 45, Health of Animals Branch.

After the Chairman introduced the officials from the Department of Agriculture the Committee resumed questioning them.

At the suggestion of Mr. Danforth, it was *agreed* that the Sub-Committee on Agenda and Procedure would consider whether the Committee should visit Grosse Isle maximum security quarantine station and report back to the Committee with a recommendation.

Later Mr. Chairman ruled that the questions to the Departmental officials by Mr. Noble on the correctness or fairness of taxing restitution payments made to owners after the slaughter of their animals condemned under disease control programs was *out of order* because they were requesting an opinion on a policy matter from a Public Servant.

The Chairman stated that he would be pleased to raise this matter with the Department concerned and report back to the Sub-Committee on Procedure and Agenda on his discussions.

24793—1½

On the suggestion of Mr. Forbes it was *agreed* that the Chairman would investigate whether officials from the Department of Finance might appear before the Committee and report to the Sub-Committee on Procedure and Agenda.

At 12.05 o'clock p.m., the Chairman adjourned the Committee to 9.30 Tuesday, July 5, 1966 or to the call of the Chair in case of a recess.

Michael B. Kirby,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

THURSDAY, 30 June, 1966.

• (9.55 a.m.)

The CHAIRMAN: We will start the meeting beginning with where we left off. We have with us this morning, Dr. Wells, the Veterinary Director General; Dr. Moynihan, Associate Director, Contagious Diseases Division; Dr. Barry, Deputy Minister of Agriculture; Dr. R. J. McClenaghan, Director of Contagious Diseases; Dr. J. F. Frank, Acting Director, Animal Pathology Division, and Dr. C.K. Heatherington, Director of Meat Inspection Division. We shall begin the questions. I believe we fairly well covered the contagious diseases division, and some of the other topics. I think the matter of Charolais cattle was covered quite properly and lengthy.

Mr. FORBES: I would like to ask one more question on Charolais cattle here.

The CHAIRMAN: Oh, I am sorry I mentioned it.

Mr. FORBES: Does the government purchase these cattle in France on behalf of the applicant, or do the applicants purchase them and the government just supervises the shipment from the point of view of the health of the animal?

Dr. K. F. WELLS (*Veterinary Director General, Department of Agriculture*): That is correct, sir. Each individual does his own purchasing and we simply supervise from a health point of view, we do the testing.

Mr. FORBES: I thought I should get that cleared up because Jack was trying to pinpoint the fact that the government was buying and distributing these cattle.

Mr. WELLS: No sir.

Mr. FORBES: I think probably if this point had been brought out it might have helped to straighten the matter out. Thank you.

The CHAIRMAN: Thank you.

Mr. DANFORTH: I have a final line I would like to go into as far as this matter is concerned. It does not deal so much with the Charolais cattle specifically, but I am more interested in this maximum quarantine station. May I ask if we have the expenditure figures available necessary to modify Grosse Ile so that the Charolais cattle could be imported, or any other type of importation carried on at this station.

The CHAIRMAN: Do you mean, Mr. Danforth, in greater numbers than presently?

Mr. DANFORTH: No, no. I will get to that, Mr. Chairman. I want to know how much the original expenditure was in this regard.

Mr. WELLS: This generally, Mr. Danforth, is of course a public works matter of providing these facilities for us, but we understand it was in the vicinity of $500,000.

Mr. DANFORTH: If I understand correctly—this is what I am concerned about—it cost in the vicinity of $500,000 to modify Grosse Ile so that a capacity of 113 cattle could be held there in quarantine. And from the evidence given last evening, I understand in order to double this capacity it would cost the taxpayers another $350,000 as a rough estimate. Now, anyone who has had anything to do with the cattle business is going to be amazed that it is going to require $850,000 to provide accommodation for 225 cattle on a station where the laboratory facilities are already established.

Is it possible we can have a little more detail on why such a tremendous expenditure is necessary? There will certainly have to be barns with more adequate facilities than you would naturally find in a feeding establishment, but $850,000 will pave a lot of lots and build a lot of barns.

Mr. WELLS: Well, Mr. Danforth, I am not in a position to break down the costs. There is the problem, first of all, that it is on an island, and I understand the costs of getting material there, are considerably greater than under normal construction.

Second, this included, of course, an increase of the electrical facilities; we have to generate our own electricity. This was required to augment the electrical power we had. The water available for the virus laboratory had to be augmented with additional wells. The terrain of the land is mostly rocky with almost a gumbo topsoil. There are not very many spots where one can build this sort of a place, and therefore the land required quite substantial foundations. Then, of course, in addition to that the barn has to be built so that it has proper facilities so that if any infection develops it is possible to clean and disinfect the entire building without fear of leaving virus in any parts of it.

Mr. DANFORTH: Perhaps I am not being fair, Mr. Chairman, to Dr. Wells and Dr. Barry. If I understand it correctly, this expansion and building program will be under the Department of Public Works?

Mr. WELLS: Yes sir.

Mr. DANFORTH: And the detail of the expenditures will be available in their department rather than in the Department of Agriculture?

Mr. S. C. BARRY (*Deputy Minister, Department of Agriculture*): May I, Mr. Chairman, clarify that particular issue for Mr. Danforth? The construction is done for us by the Department of Public Works. The vote for it is contained in the Department of Agriculture estimates. We have to provide the funds, but the construction is arranged for and supervised by the Department of Public Works. We give them the specifications of the type of building we want. They call for the tenders, let the contract, supervise it, but the funds for the purpose are provided in the Department of Agriculture estimates.

Mr. DANFORTH: This is the information I want. If this is the fact, then the details of structure and requirements would be available in the Department of Agriculture.

Mr. BARRY: The specifications, yes sir, if they are asked for.

Mr. DANFORTH: This is what I am particularly interested in, Mr. Chairman. We have an expenditure of this magnitude which amounts, as a rough estimate, to almost $5,000 per animal to provide the necessary facilities. I think it is nominal and normal to expect an expenditure of $100 per animal on a commercial venture. This is 50 times as great, and I think it would be of interest to the Committee to have the detail on this expenditure. If the committee members are like myself, they only have a general picture of what a maximum security station is and what it entails. We are going into a new field of importation. So far it has been just one particular variety of cattle from one particular country, and, as I understand it, it has already cost the taxpayers $500,000. From the evidence we have been given, even if we double the facilities, it is not going to meet the demand we have for this type of importation. I personally feel that the Committee is entitled to a great deal more detailed information. The Committee, in its wisdom, may wish to recommend to the government that much more money be made available in order that this station's capacity might be increased to a much greater detail than that which is projected by the Department of Agriculture. For this reason, Mr. Chairman, I would hope that we could be given more specified detail as to the expenditure of this money.

I would be particularly interested, Mr. Chairman, that since $350,000 allows us to import roughly 100 more cattle per year in this manner, how much it will cost us to increase for the next 100 cattle. Perhaps on a per animal basis by increasing the capacity now it would be more economical to the taxpayer than by doing it on a piecemeal manner as has been projected.

Mr. BARRY: We do not have the details of the specifications with us. Mr. Danforth.

The CHAIRMAN: Dr. Barry, can these be made available to the Committee?

Mr. BARRY: I would like to be clear now on precisely what we can and cannot make available as far as our department is concerned. We told the Department of Public Works what facilities were needed and the nature of those facilities. The drawing of the actual specifications to provide them, of course, was done by the Department of Public Works; not by us. I am sorry, we have no details of this with us. Dr. Wells has enumerated broadly the type of things required with respect to the disease control purposes.

Now, we can see, Mr. Chairman, just what we can get that is available within our own records to provide to the Committee, and we will do so. But, if I may for a moment, turn to the second part of Mr. Danforth's question as to the desirability now of increasing the facilities substantially; this, of course, becomes a judgment matter. At the moment there is a very strong demand for these cattle. At what point this demand will taper off, or how long it will continue, is a judgment matter. As we said at a previous meeting of the Committee, we are now considering, and we will make a decision shortly, the question whether to add an additional similar capacity this year. This may turn out to be warranted in a judgment matter as to how long they will continue to

be needed at that capacity. I would think, as a personal opinion, that to provide facilities which would meet the total of the present requirements within a very few years would prove to be quite excessive. Now, this may turn out to be wrong, but I mean one must make judgments on these points.

I would like again to mention a point which we dealt with the other day, namely that we are now applying a capital charge of $5 per head per day on these cattle, and our estimate is that this will amortize the capital cost over a period of ten years. Whether we build one barn or two barns, it will be the same situation. Assuming the continuance of a demand would require the full occupancy of the facilities provided for a ten year period, we could amortize the capital cost over such a period.

The CHAIRMAN: There is one thing I would like to ask, Mr. Danforth. I do not think you are trying to compare what we should have as an isolation ward—and that is what these cattle are in, actually—with what a farmer would have for his own beef cattle. In your statement you give a figure of $100 for quarters for the average beef farmer. However, I do not think you mean that this thing should be similar at all.

Mr. DANFORTH: No, that is not my point at all, Mr. Chairman. I am just illustrating that when 50 times the expenditure of a normal feed lot construction is expended of the taxpayers money, I certainly think the committee has a right to know just exactly what is entailed.

Mr. Chairman, I would like to make a suggestion here, and I have not approached any of the other committee members on this. However, the department is contemplating, or is in the process of determining whether an additional expenditure of $350,000 shall be made here, and an expenditure of $500,000 has already been made. Dr. Barrys' implication was that they would provide us with all the details available in the Department of Agriculture, but this in itself might not be the complete picture.

Is it within the realm of possibility, Mr. Chairman, that this Committee might have an opportunity to visit the scene at Grosse Ile to see for themselves exactly what has been done, what is entailed, and what is contemplated? Because this Charolais question has raised such a degree of interest among the cattle industry in both Canada and the United States, I think it would be very beneficial for this Committee to have an on-the-spot inspection and be in a position, from direct knowledge, to make a recommendation as a committee to the government in this regard.

Mr. BARRY: Mr. Chairman, I think I could say that if it is the Committee's wish to visit Grosse Ile, I know of no reason why we would not be able to concur in that.

The CHAIRMAN: I would just say as Chairman that I discussed with the Minister himself the possibility of such a Committee visiting many of the agricultural establishments across Canada in order to gain a greater knowledge of what is actually being done in research and everything else. I did not specifically mention Grosse Ile. The Minister just made the statement that he saw no reason why we could not do this, and that if the committee recommended

it, it would be given every consideration to try to make it a reality as far as he was concerned.

Mr. DANFORTH: I am not especially concerned in a trip for a trip's sake, and certainly it would be of interest to visit the various agricultural depots, especially of a federal nature, across Canada. However, I am specifically interested in this particular isolation station on this island because I feel it is of particular interest to cattlemen, and there is the uneasy feeling that if the United States at any time took a dim view to this it could create havoc with our international trade. I feel the Committee members themselves would be in a much better position to assess this whole problem with an on-the-spot inspection.

Mr. BARRY: Mr. Chairman, there are just one or two points which I think I should mention in this connection. I think probably I should go even further than I did a moment ago when I said this Committee could visit Grosse Ile, and that I would be sure we could arrange it. I think I can speak for my Minister without having to ask him, and say we would welcome the Committee.

Now, the decision whether to enlarge Grosse Ile in order to have facilities for this coming fall is going to have to be made by the early part of next week if we are going to get the construction done and have it available when the cattle arrive in the fall. It is very immediate that we must make a decision. I think if tomorrow were possible, they would be making it tomorrow, but certainly it will be made by the early part of next week, by Monday or Tuesday. Therefore, I do not think there would be time for the Committee to go there to make a decision on this point; we must make this now.

Beyond that there is just risk that between now and the time when the cattle arrive from Europe next fall, which will be about mid-October, there will be no trouble at all in taking visitors to Grosse Ile. Once the quarantine station is in operation, then of course it is closed. So it would have to be done this summer or early fall.

Mr. DANFORTH: I can appreciate that, Dr. Barry. May I ask a more direct question in this regard, Mr. Chairman, and put it quite frankly, and either Dr. Wells or Dr. Barry can answer if they wish to. Do they feel that a visit to this island by the Committee would make it much simpler for the Committee to obtain first hand knowledge of exactly what is a complete isolation station, the workings, and the degree of extra facilities which are necessary? Do you feel that this could be done much easier by the department in this fashion than by verbal descriptions or written reports to the Committee.

Mr. BARRY: I think, sir, that I could answer Mr. Danforth in this way, that in the light of recent developments and in the light of recent rumours which we dealt with the other day, and looking back now on what might have been done, I think it would have been very helpful is this Committee could have been in Grosse Ile as soon as it was opened up. At that time the Committee could have seen precisely what the facilities were and what the operation was. When I said I think I would welcome it, it was for this reason, sir. I think the Committee would have a much better understanding of the operation and a better

appreciation of it. You may have some criticism of it too; this is to be expected. However, I think it would be very helpful if the Committee could actually see this operation and have the feel of it from actual knowledge.

Mr. DANFORTH: Mr. Chairman, may I make the specific request that this be taken under immediate consideration by the Chairman of the steering committee to see if these details can be worked out.

Now, Mr. Chairman, I have further questions, but they are along a little different line, and I would be willing to pass at this time in order to allow other committee members to ask questions.

Mr. NOBLE: Mr. Chairman, in passing I would like to ask Dr. Barry if this station at Grosse Ile has been used by breeders of other types of cattle, or if it is available to breeders of other types of cattle?

Mr. BARRY: The station at Grosse Ile, Mr. Noble, is not specifically for any breed of cattle. The station is intended to accommodate, for health quarantine purposes, any cattle of any breed which anyone wishes to bring from Europe from an area where we think we can safely permit the importation, and indeed I believe in the current applications for the use of Grosse Ile there is another breed other than Charolais involved.

Mr. NOBLE: Has it been used very extensively previous to this?

Mr. BARRY: Last year was its first year.

Mr. NOBLE: Oh I see. It is just a new station.

Mr. BARRY: And it was all Charolais cattle this past season. Grosse Ile, obviously, has been in existence for some time, but last year was the first year of operation for the actual quarantine station which we erected there.

Mr. NOBLE: It is only cattle which are brought in there? You could not bring horses or other animals in there.

Mr. BARRY: I will let Dr. Wells answer that.

Mr. WELLS: At the moment it is only cattle. There is no need to quarantine horses; they are not subject to the serious infections that we are concerned about at the moment with cattle. Sheep could be brought in there if it were desirable to import them and there was a demand for sheep. As I said the other evening, it is not yet possible to include swine because of the difficulties in testing.

Mr. NOBLE: While we are on cattle, Mr. Chairman, I would like to ask Dr. Wells, if, in the case of brucellosis or tuberculosis or any other contagious disease where there is a danger of it being spread to other farms or even to other provinces, and these animals are ordered slaughtered, the government pays restitution to the farmer for the animals so slaughtered?

Mr. WELLS: Yes, we do.

Mr. NOBLE: I would like to ask you if in your opinion, you feel this restitution should be taxed by the tax department?

Mr. HONEY: Mr. Chairman, on a point of order, I think this is not a proper question to ask the witness.

Mr. NOBLE: Mr. Chairman, I believe they have had experience in this and they know something about it. I think at one time there was restitution made for a flock of sheep which were ordered killed in Alberta. I believe these people know something about this case, and it would be enlightening for the Committee to know if this restitution was taxed.

Mr. HONEY: Mr. Chairman, I think it is probably a bad precedent to establish in the committee to ask officers of the department questions relating to policy, and certainly it is governmental policy whether a particular payment is or is not subject to income tax.

The CHAIRMAN: The only thing I can say, Mr. Honey and Mr. Noble, is that in my own opinion it is strictly a revenue departmental problem. Dr. Barry, do you wish to make a comment on this?

Mr. BARRY: In dealing with Mr. Noble's question, Mr. Chairman, I am afraid I would have to take the position which Mr. Honey has suggested, namely that I could not give an answer which would involve the policy or administrative matter of another department.

The CHAIRMAN: This is what I meant when I said it was the prerogative of another department and beyond the scope of this Committee at this time.

Mr. DANFORTH: Mr. Chairman, speaking on a point of order, it is all right to say it is a matter of policy, and we certainly do not have the right to question witnesses on new policy or the development of policy. However, I certainly think the committee has every right to ask questions on how policy has been administered, and what the policy has been in the past.

The CHAIRMAN: I think this has been clarified here, Mr. Danforth. There is nothing to stop this committee from making a recommendation to the House that they feel what Mr. Noble is asking should be clarified through the Department of National Revenue.

Mr. NOBLE: I might also refer to a flock of chickens which were quite valuable and restitution was made for their loss. I think the Department of Agriculture does know something about what happened in those cases. I have never been able to obtain this information.

Mr. BARRY: Mr. Chairman, with all due respect, it seems to me that the point being raised here is, when the Department of Agriculture pays compensation for the destruction of animals for disease control purposes should this compensation be treated as revenue for tax purposes by the Department of National Revenue? Now, I think the question which is being put to us, quite reduced to its bare bone, says, do we or do we not agree with the decision of the Department of National Revenue? Well, with respect, I do not think you can expect me to give an opinion on that under these circumstances.

Mr. DANFORTH: Mr. Chairman, I would suggest that his question should be phrased in the following manner: Have there been instances in the past when the Department of Agriculture has caused the destruction of animals and has made compensation therefor? I think questions like this could be considered.

Mr. BARRY: Questions such as that are quite in order, yes.

The CHAIRMAN: I know Mr. Noble knows that this has been done.

Mr. NOBLE: Yes. That is not my question. I am trying to find out if in their experience they have knowledge of whether the tax has been collected on restitutions which this department has paid?

The CHAIRMAN: I think this would be beyond the scope of this department as part of their function. As far as I know, it is strictly a revenue problem. However, there is nothing to stop a committee from making recommendations in cases like this when a herd is lost or when flocks of chickens or poultry are lost. We certainly know that you never get what you actually lost when compensation is made.

Mr. PETERS: Mr. Chairman, on the point of order made by Mr. Honey, it is a fact that this particular case of sheep was widely publicized and was a highly controversial political football for some time.

The CHAIRMAN: I think, though, Mr. Peters, it was discussed at some length at that time, and the records will show all kinds of statements and evidence presented at that time too.

Mr. PETERS: But I would think that it would not be impossible for the departmental officials to provide—and not necessarily on their own—in one source the conclusion of that particular case. I do not know what was in the member's mind, but it would seem to me that our interest in knowing whether compensation was being paid really relates to the amount of money which the farmers receive for the animals destroyed. For instance, if the payment was $100 and $50 of that amount was taken back as earned income, the compensation was not $100, it was $50. For that reason I think it might be within the purview of this committee to know what happens to compensation in general. I think the department should be interested in whether the payment made is compensation for the animal slaughtered. If the amount is not that which the farmer receives as compensation, then obviously the amount the department is paying is what the farmer receives and not what they really give him. We are told that the amount is so much, and if that is really not what he receives then I think we have the right to ask for that information. I believe the officials may be in a position—and I am not asking for policy—to advise us just what the situation is.

The CHAIRMAN: I think the officials should know the answer to this question: When a payment is made does the Department of Agriculture deduct anything for tax from the farmer?

Mr. BARRY: No.

The CHAIRMAN: We should be able to explore this as a committee on our own with the other departments, and get all the information available for the Committee. As the Chairman I will certainly try to do this, that is get every bit of evidence and the court cases, and have it available for the Committee as soon as possible.

Mr. FORBES: Mr. Chairman, it seems to me that the principle behind this question is not a matter of policy; it is included in the regulations. The point is when a man loses part of his basic herd, such as cows on account of tuberculosis or brucellosis, he is losing the basic part of his herd, and the regulations in regard to income tax are applicable. This is the point which I think is absolutely

wrong. If we can make a recommendation that this be given consideration, I think we might improve the situation.

Mr. PETERS: Do the departmental officials consider the payments which they make under the brucellosis control, for instance, as earned income as far as the farmer is concerned or straight compensation for a loss?

Mr. BARRY: Mr. Chairman, if I may, our position is that we make a payment to the farmer in consideration of the loss of an animal which we have ordered destroyed for disease purposes. The decision as to the treatment of that payment, whether it is regarded by the Department of National Revenue as earned income, whether it is, as has been suggested, treated as a basic herd matter, is one not for our department to make. I could not at this moment say what treatment is provided by the Department of National Revenue with respect to this.

Mr. PETERS: Now, Mr. Chairman, I do not want to give the wrong impression. I do not want to go into this matter of what the Department of National Revenue does. The question was, when you make a payment for the slaughtering of an animal is your payment made to replace the animal which had to be destroyed under the established control act?

Mr. BARRY: Not necessarily to replace it, sir. It is a payment—

Mr. PETERS: What happens if you kill the whole herd? Are you not really deciding you are going to re-establish the basic herd?

Mr. BARRY: There are two bases of compensation, and I probably should let Dr. Wells speak to this, but if I am wrong in anything I say, Dr. Wells will correct me. There are two broad bases of compensation for diseases and these are primarily brucellosis and tuberculosis. The rates of compensation are fixed and specified, at least the maximums are fixed and specified. This is for individual animals; this does not involve the disposition or destruction of entire herds. Where we get into more serious contagious diseases—and I might use hog-cholera as an example—the authority of the act provides for compensation to be paid to the owners at market value, and there the compensation is designed to be the value of the animal destroyed. In the case of the disease control programs, as I say, brucellosis and tuberculosis, the rates of compensation are fixed at maximum under the legislation.

Mr. PETERS: Could I ask the witness, Mr. Chairman, why there should be this differential between hog-cholera? I am well aware of the degree of severity of the problem of cholera versus brucellosis and tuberculosis. In the first place why did we decide on a certain amount for the brucellosis and tuberculosis control? How did we measure it?

Mr. BARRY: Well, sir, I think the problem is probably this basic difference between the two operations. When a serious disease such as hog cholera is identified, we require the slaughter not only of the actual animals which may be infected, but of all the animals which have come in contact with them. This is taken as a measure in the interest of the total livestock in an attempt to prevent a spread and the establishment of a foreign disease in the country. The position has been taken under these circumstances that the man

who is required to sacrifice his entire herd in the interest of the protection of the entire community, is compensated at the full value for them.

I think historically, first tuberculosis because it goes back a long way in tuberculosis eradication and in more recent years in brucellosis, we are dealing here with the eradication of a disease or diseases which in fact have been in existence in Canada for a great number of years; they are not foreign diseases. The removal applies then only to the individual infected animals, not to the herd as a whole. Now, if those animals had not been removed, if they had continued in the herd, there may and probably would have been loss to him from the fact that this disease was in those animals and would spread through his herd. So there is a distinct advantage to the individual herd owner there to have these animals removed from his own herd, as well as a total advantage to the community.

The compensation divisions for brucellosis and tuberculosis have never, over a long history of operations, been designed to compensate for the full value of the animals destroyed. They have been designed rather to provide some measure of assistance to the owner in replacing them.

Mr. PETERS: May I ask now what the situation would be if it happened to be foot and mouth disease instead of brucellosis and tuberculosis? Does the compensation rate remain the same in foot and mouth disease as is fixed under tuberculosis and brucellosis?

• (10.30 a.m.)

Mr. BARRY: No sir. If there were a foot and mouth disease the compensation would be based on the same priciple as I referred to in hog-cholera, namely the owner would be compensated at the full market value of the animals destroyed.

Mr. PETERS: How long is it since we have taken a look at the compensation for brucellosis and tuberculosis?

Mr. BARRY: The rates of compensation for brucellosis and tuberculosis were increased, I think, three or four years ago.

Mr. PETERS: Have they any escalation clauses in them which allow for market values or trends?

Mr. BARRY: No.

Mr. TARDIF: In the case of brucellosis and tuberculosis, do you not have also the facility of selling the meat of the animals?

Mr. BARRY: Thank you very much, Mr. Tardif, that is another point I should have mentioned. If an animal is condemned it can go to slaughter and, provided it is edible with the infected parts removed, the owner also receives the carcass value of the animal, and if it is condemned we pay the carcass value.

Mr. NOBLE: In the case of a prize winning herd which a man has developed over many years, a very valuable herd is there no provision whereby the man will be given something for the reputation he built up over those years? When you demand that he kill those animals, you are shooting his whole reputation down the drain. It is going to take him another 15 or 20 years to build his herd back up again. I think some provision should be made to a man who has spent many years and a great deal of money to build a prize winning herd, or a herd

recognized around the world as being a source of good breeding stock, whereby if he has to lose this herd there should be some compensation to him for his loss?

Mr. BARRY: Of course, under brucellosis and tuberculosis control we do not destroy a whole herd; we only require the actual and separate animal to be destroyed. So I do not think there have been any instances where we have destroyed whole herds. I mean it would be extemely rare for brucellosis or tuberculosis.

Mr. NOBLE: Well, Dr. Barry, if a man had a couple of bulls which had years of breeding behind them and he lost them, he would be losing a lot of his reputation, would he not?

Mr. BARRY: I believe Dr. Wells could deal with that more intelligently than I. I would not have thought so, sir. The brucellosis and tuberculosis testing programs are widely known, widely understood both here and in most countries of the world, including the United States. I think it is an accepted fact that this does happen occasionally. I would not have thought that it would have any bearing on the reputation of the breeder.

Mr. NOBLE: Well, Dr. Barry, how long do you think it would take that man to get back in the same position again in the breeding stock world, to build up that same reputation he had before he got into this trouble?

Mr. BARRY: I would not have thought, Mr. Noble, that the loss of say one animal, which reacted to tuberculosis or brucellosis, would have been too significant, unless it was a really outstanding animal, such as an outstanding bull; this obviously would be a serious matter for him.

Mr. ÉTHIER: Going back to the Charolais cattle that Mr. Danforth mentioned a while ago, we were led to understand that it caused the Canadian taxpayer $5,000 a head to inspect them.

The CHAIRMAN: That is to properly quarantine them.

Mr. ÉTHIER: Yes, to put them on the market. And there has been a lot of talk that very few Canadians could buy them; they mostly went across the border to the United States.

The CHAIRMAN: But this was all clarified the other day, Mr. Éthier, that this is not a fact, and it is in the records.

Mr. ÉTHIER: Yes. Well, this is something with which I am not satisfied. What I want to know is, is the cost to quarantine those animals added to that animal before it is exported to another country? Can the officials answer this question?

The CHAIRMAN: This was already answered in the Committee proceedings on Tuesday in great detail. This year the cattle will have an extra cost of $5 a day, and they must pay all these expenses before the cattle are—

Mr. ÉTHIER: Well, really $5,000 a head for the Canadian farmer is very little if you compare it to all the other expenses of the Department of Agriculture. The point is that this amount is just to quarantine those cattle and then they are shipped across the border, and our Canadian farmers do not have the advantage of purchasing some of them.

The CHAIRMAN: After listening to this evidence all day Tuesday and then again this morning, and doing as much reading on it as I possibly could, I have come to the conclusion, as Chairman of the Committee, that the Department of Agriculture's main concern is to see that the whole livestock industry of Canada is protected. This may look like a huge sum of money, but when we see the eradication of whole complete herds, as Mr. Noble said, on account of foot and mouth disease, we certainly would—as far as I am concerned—be willing to see them go to $10,000 a head.

Mr. ÉTHIER: That is what I mean; I do not find $5,000 a head too much if it is to the advantage of the Canadian farmers. But if there is no restriction on exporting those Charolais cattle, I do not see why the Canadian taxpayer should pay to quarantine those animals and then be exported to the United States.

What I want to know is, if all the cost of the quarantine done here, and the cost of the buildings we have to put up as an official base are added to the price of the animal before it is exported? I am just wondering if that question was asked before.

The CHAIRMAN: Yes it was, and it has been explained.

Mr. ÉTHIER: It has been explained. Thank you.

Mr. HONEY: Mr. Chairman, I apologize for not being here at the last meeting. This question may have been asked, but I was interested, Dr. Wells, in information about bringing some of your veterinarians to Ottawa for retraining, or a refresher course. Is my information correct on this?

Mr. WELLS: Yes. We have a course each year on exotic diseases for our veterinarians, and this is held at Grosse Ile.

Mr. HONEY: I see. This is not a new course starting this year?

Mr. WELLS: No, no. I believe this has been going on for 12 or 13 years; 1952 or 1953 was the first year.

Mr. HONEY: Do you bring in a percentage each year for this course?

Mr. WELLS: Yes. The maximum that we can handle in the course, because we have to keep the number down to those who can be shown and can work with the diseases, which is 20.

Mr. BARRY: Mr. Chairman, I wonder if I might say a few words, without taking up too much time of the Committee, in connection with this point which Mr. Honey has raised. We run this course at Grosse Ile especially to train our own veterinarians to let them see a series of infectious and contagious diseases which we do not have in this continent, with one exception; we do not reproduce foot and mouth disease for them.

I am taking the liberty of taking the time of the Committee to say this because Dr. Wells probably would not. This particular training course which Dr. Wells runs for this purpose has gained fairly high repute internationally. The U.S. department sends their veterinarians up to this course, and we have also had people from Australia and New Zealand come to the course. This has been a very effective course for the training of veterinarians in countries like our own, the United States, New Zealand and Australia, where our veterinarians have no

chance to see these diseases, and it gives them a chance to recognize them should they occur.

Mr. DANFORTH: Is there any charge for men from the foreign countries, or even our own? I understand it is like a postgraduate course.

Mr. WELLS: It is only a two week course, Mr. Danforth, and there is no charge as far as our own people are concerned, of course, because it is part of our own training operation. So far as the outside people are concerned, there is no charge other than their transportation, of course; they have to look after that themselves. On the other hand, of course where other countries put on courses, we are welcome to send people there. It is a reciprocal operation. As a matter of fact, we have demands or requests from considerable countries to send veterinarians to this exotic disease course, but we simply cannot accommodate them.

Mr. HONEY: I just have one other question, Dr. Wells or Dr. Barry. I am wondering if there are any vacancies now in the upper echelons of Dr. Wells' department?

Mr. WELLS: There is no immediate vacancy in the Ottawa office. There is a vacancy in the senior echelon in Ontario, one in Quebec, and one in Alberta; these are in the process of being filled by civil service competition at the moment. Now then, there is an expanding program, of course, because of the different diseases, and there will probably be vacancies.

Mr. HONEY: With reference to the Ontario vacancy, what is that office, do you recall offhand?

Mr. WELLS: The assistant district veterinarian for the province of Ontario. I am sorry. The Toronto position has been filled and this has left the assistant district veterinarians' position in Moncton, New Brunswick, for the Maritime and Atlantic provinces vacant.

Mr. HONEY: So the Ontario one is now filled?

Mr. WELLS: Yes.

Mr. HONEY: Thank you, doctor.

Mr. RICARD: What is the position in the province of Quebec?

Mr. WELLS: The vacancy for assistant district veterinarian for the meat inspection division in the province of Quebec is at the moment in the process of being filled by civil service competition.

Mr. RICARD: Who was occupying that position?

Mr. WELLS: Dr. Viateur Meilleur who retired about a month ago.

Mr. RICARD: Thank you.

Mr. GRILLS: I noticed on the estimates the amount paid to the rabies cases was only 50 per cent or less than half what it was last year. Is the whole condition cleaned up to that degree, or is the rabies program still in effect? I expect I should know myself, but I do not.

Mr. WELLS: Yes. We are continuing, of course, with a similar rabies program.

Mr. GRILLS: I wondered why this was cut in half.

Mr. WELLS: Well, it would be cut in half simply because of the anticipated need.

Mr. GRILLS: Do you think it is cleaned up to the extent where it is not as prevalent as it was?

Mr. BARRY: I wonder if I might, Mr. Chairman, explain the procedure on a matter of this kind. We never know, of course, at the beginning of a fiscal year, or before the beginning of a fiscal year, unless there are similar estimates, what demand there will be for any compensation under programs of this kind. We make a guess, and if the amount provided in the main estimates is not adequate, then supplementaries must be provided for the purpose. These compensation payments are a commitment which must be met, and if there is not enough in the main, then there is a fund to provide them under supplementaries. This is the general procedure.

Mr. GRILLS: Was this based on your experience of last year?

Mr. BARRY: I would expect so, Mr. Grills. I do not know precisely.

Mr. GRILLS: I suppose you are not receiving many requests now then?

Mr. WELLS: No, no. We pay in all cases, Mr. Grills, in Ontario and Quebec where the rabies program is in operation.

The CHAIRMAN: Are there any further questions?

Mr. PETERS: What work are we carrying on with the department of lands and forests in Ontario, and probably the same in the province of Quebec, in relation to the wildlife rabies problem which appears to be the source of infection in the unknown in the program.

Mr. WELLS: Yes, wildlife is the reservoir of rabies infection, and while we ourselves are not heavily involved in wildlife research, the Ontario provincial operations are, and we co-operate with them in research projects in so far as dissemination of disease in wildlife is concerned, and the whole problem of this kind of thing in wildlife population, increase of population, decreases, which of course gives us our rabies picture.

Mr. PETERS: Does the department pay the costs of the rabies inoculations for domestic animals such as dogs and cats?

Mr. WELLS: Yes. Where rabies becomes established in any county or municipality we conduct a survey, explaining to the local authority the necessity for quarantining dogs, and when the infection appears to be established there, then we set up free rabies vaccination clinics in those municipalities.

Mr. PETERS: Is this a set level, or does it depend on the area? Does the degree of infection have to reach a certain level before this is undertaken, or is this undertaken at any time?

Mr. WELLS: There is no hard and fast rule, Mr. Peters. It depends entirely on the evidence of infection in the area.

Mr. PETERS: Is the Hull laboratory still the only one that handles rabies examination?

Mr. WELLS: No. I had better ask Dr. Frank the answer to that.

Dr. JULIUS FRANK (*Acting Director, Animal Pathology Division, Department of Agriculture*): We carry out rabies examinations at Vancouver, Lethbridge, Hull and Sackville, New Brunswick at the present time.

Mr. PETERS: Have you any indication, from the animals sent from regional and private veterinarians, what the incident of actual rabies is in the specimens which are sent to the laboratory?

Mr. FRANK: They are less than 50 per cent.

Mr. WELLS: Roughly approximately 50 per cent of the total specimens submitted prove out to be rabies.

Mr. PETERS: I presume this is an indication of the competence of the regional people and also the private veterinarians because it is such a hard disease to diagnose until the actual examination takes place. This is quite a remarkable achievement, having reached 50 per cent of all specimens.

Dr. W. A. MOYNIHAN (*Associate Director, Contagious Diseases, Department of Agriculture*): Rabies is a serious disease, of course, and rather than err on the wrong side, we get many specimens in on the very assumption it might be rabies. As you probably know, we have to wait until the animal dies or is near death before the laboratory can make their examination because the diagnostic identification is in the brain of the animal, and this particular body known as a Negri body only appears at death or shortly before death and this is our diagnostic evidence.

The CHAIRMAN: Can I ask a question? Are there any other laboratories where the rabies testing is done?

Mr. MOYNIHAN: Well, as rabies is a reportable disease in the animal, we do all the diagnostics in the animal.

The CHAIRMAN: In all the animals where there is any suspicion of rabies, you do all the testing?

Mr. MOYNIHAN: Yes. We do all the diagnostics at the various laboratories that Dr. Frank mentioned.

The CHAIRMAN: Well, there was a report on this flying cat, or whatever it was, which was shot the other day, and they said they were testing it at Kemptville. Is that erroneous then?

Mr. MOYNIHAN: Ultimately this specimen will come to our laboratory for confirmation and examination.

Mr. NOBLE: I would like to ask Dr. Wells two or three questions. I might say before I ask these questions that I have been in touch with Dr. Wells before and he has given me very good co-operation in this matter, but there are a couple of matters which have come up and I wondered whether we could clear them here.

Owing to the fact that Canadian mink breeders are finding it difficult to secure enough suitable food, is there any possibility of having regulations on importation of chicken backs and necks from the United States streamlined so that this material might flow more freely across the border?

Mr. WELLS: Mr. Noble, there is no restriction, from a health of animals point of view, other than the required certificates on these products coming into the country. We do require, of course, that they come from a packing plant in the United States which operates under the United States department of agriculture, and we do not permit the introduction of condemned material because this might well introduce disease into Canadian livestock. But, other than that, it can come very freely; there is no hold up at the border providing it has adequate certification with it from the United States department of agriculture meat inspection certificate; it comes in simply on examination at the border.

Mr. NOBLE: There is not anything of a minor nature which we can eliminate so that it will move more freely?

Mr. WELLS: No sir. It is a very simple certificate that is required by the United States department, the meat inspection officer in the packing plant from which it comes. We have to have that certificate in order to satisfy and protect the disease situation in this country.

Mr. NOBLE: Now, there is one other question I was wondering about and that is this: Are some of the restrictions in direct protection of the poultry producers for other than disease reasons?

Mr. WELLS: No sir. We can say sincerely that all of the requirements under the provisions of the Animal Contagious Diseases Act and the Canada Meat Inspection Act are solely for the protection of disease.

Mr. RICARD: Dr. Wells, with regard to brucellosis, am I right in thinking that before the federal government steps in and makes tests, the demand has to come from the province?

Mr. WELLS: Yes, Mr. Ricard. The brucellosis and tuberculosis operations are similar in that the municipality or the township has to ask the provincial government to have the area established as a brucellosis control area, and then the request submitted to us and the area is established. However, all areas in Canada are now established.

Mr. RICARD: This is what I wanted to know. Thank you.

Mr. PETERS: I have a supplementary question. Are they all brucellosis free areas?

Mr. WELLS: No, they are not all brucellosis free areas yet, but they are certainly all brucellosis certified areas, and there are still a few left to complete. We expect this will be finished this fall. Now then, the brucellosis free areas is another step beyond the certified area and we have some free areas now; an area certified when the infection rate is less than one-tenth of one per cent.

Mr. PETERS: Has Timiskaming reached that stage yet?

Mr. WELLS: We can get that information for you, sir.

Mr. RICARD: I have a supplementary. Am I correct in presuming that one farmer cannot sell his cattle from outside his district if he is not certified?

Mr. WELLS: Do you mean if the area is not certified?

Mr. RICARD: Yes.

Mr. WELLS: Yes he cannot sell them without a test, that is, you cannot move cattle from a non-certified area into a certified area without a test. This is the control to maintain the certified area free.

Mr. RICARD: Thank you.

The CHAIRMAN: Are there any further questions on this eradication of agreement established in Canada?

Mr. PETERS: I have one last question, Mr. Chairman.

Mr. WELLS: Mr. Peters, Timiskaming is brucellosis certified, but not yet brucellosis free.

Mr. PETERS: Thank you.

Are there any new problems which have developed recently in the animal field? This is just for information.

Mr. WELLS: There are no new diseases established in the country. We naturally keep a very close watch on the development or increase of all diseases. We are concerned, of course, with Johne's leptospirosis, vibriosis, and whether or not these diseases are increasing, but we have no new diseases at the moment.

The CHAIRMAN: Are there any questions on the control of disease? This has been talked about quite a bit. Mr. Danforth, you intimated you had something to ask.

Mr. DANFORTH: Yes, I have some further questions. I would like to get back to this isolation station, if I may, with perhaps two more brief questions. In some of the questions here this morning it was suggested that perhaps I had intimated $5,000 an animal was the cost of the course of the isolation quarantine, and whether it was $5,000 or $10,000, it did not matter as long as the object was obtained.

My concern is not so much with respect to the actual cost as it is with respect to what the taxpayer is receiving for his money. It seemed rather strange to me that in the projected increase in the establishment, the allocation of funds is almost the same as the allocation for this year's construction of the new veterinary college at Saskatoon. They are both in the neighbourhood of $300,000, and it would be interesting to contemplate the comparison of both of these expenditures.

However, to get back to the isolation station, I was intrigued by an answer this morning that there was a certain period on the island where visitors would be allowed; I think Dr. Barry made this statement, because of the fact that there were no cattle present, and this is quite understandable. He also stated that when the cattle were there, of course, there was the complete isolation and visitors would not be encouraged. This is also quite understandable. But this brings me to this question: Since there is a period when visitors are allowed—and he indicated, I think, one period which was two or three months during the summer—would it not be feasible to increase the rate at which these cattle are imported as well as increase the facilities if there are periods where this isolation is not being practised in this complete isolation station? We have such

a backlog of demand; I think the request is some 1,700 animals now, on a station which will only accommodate 100 to 120. Is there not some feasibility in speeding up this? By speeding up, I certainly do not mean the curtailing in any way of the isolation program. I just mean that when one group moves out there will certainly have to be a clean-up period, but is there any way in which we can bring the next group in much sooner so there will not be this three or four month period in which the station is not used to capacity?

Mr. BARRY: The first limiting factor, Mr. Chairman, is that these cattle must leave France as calves before they attain nine months of age. So that normally, assuming a calf is a spring calf crop, the time of purchase is so that they must get into the Brest quarantine station in order that they can leave before they are nine months of age. Therefore, the winter quarantine season in Canada is the normal logical season for quarantine here, inasmuch as they must be calves in France, leave Brest before they are nine months of age, and come to our quarantine station at Grosse Ile.

Now, we propose to explore—and I have to put it in that sense at the moment, Mr. Danforth—the practicability from a variety of standpoints of providing for a summer quarantine period as well. Now, if it were possible to get 12 calves in France that could some to Grosse Ile after the winter quarantine period was over, this may be a feasible thing to do.

We have to bear in mind also that we use Grosse Ile in total for other purposes. We use it, as we discussed, for this course purpose which we have. We would not want to have this kind of thing going on while we had the quarantine station in operation. This might require some adjustment. But primarily the reason, certainly this past year, and the more or less concept of the winter use of it is because of the fact that they must leave France as calves and it is related to the calving season. This is the primary consideration.

Mr. DANFORTH: How long is the actual confinement on the island?

Mr. BARRY: Our formal quarantine period, sir, is 90 days. However, this becomes a clerical thing because they cannot leave the island during the winter; there is no way to get them out, except to fly them out individually. Dr. Wells has reminded me that while officially the quarantine period is 90 days, the testing procedure is apt to take a bit longer than that to complete.

Mr. DANFORTH: Let us suppose it takes 100 days. Now, we are speaking about cattle under nine months of age. That would give you from four to five months; you have a difference in age there from four to five months with which you can deal. Certainly, it seems to me that even without a fall crop it would be feasible to run a quarantine through.

Mr. WELLS: No, Mr. Chairman, if I may explain. Calves have to be selected in France by Canadians at six months of age or under to assure that they have not been vaccinated against foot and mouth disease. This means that they have to be selected by the individuals buying them in France no later than the month of July. We then move on to the farms in France for our testing in France on the farms during the month of August because we require the tests to be done no longer than 30 days prior to entering the Brest quarantine station. They then

go into the Brest quarantine station the first of September. They stay there for 30 days. They are tested there again, and then they have a two week or a 10 to 12 day ocean voyage to Grosse Ile and arrive there about the 12th of October.

Therefore, the whole procedure has to start about the first of July for selecting, testing, quarantining in France, transfer to Canada, and quarantining here. When they arrive here we have to let them rest for a period of ten days after they have arrived and then we start into the series of leptospirosis, brucellosis, tuberculosis, Johne's disease, foot and mouth tests in Grosse Ile, and these tests require, because of the injection of material into them for the testing and drawing of blood, a considerable time.

Mr. DANFORTH: I appreciate your answers, Dr. Wells, and I know that I am now delving in a field where my knowledge is extremely limited. I can understand where these must be purchased at six months of age, but is there not, somewhere during that whole complicated process, an opportunity where two groups can be run through with a holding period for the one group until the facilities in Canada are clear? In that whole complicated process there must be some area where one group can be held in abeyance for 90 days while the previous group goes through in order to take advantage of two isolation periods here in Canada.

Mr. WELLS: The only other way that we can hold them, Mr. Danforth, would be in the French quarantine station at Brest and we must, of course, take our turn at that station. As an example, we have to reserve the Brest quarantine station at least a year in advance for the month of September because there are other countries using it as well. So that we could not tie up the Brest quarantine station for just a matter of holding purposes.

Mr. BARRY: Dr. Wells, I think to be completely impartial on this, it would be wrong to leave the implication at the point which Mr. Danforth is raising now, namely that there is nothing being explored by us.

Mr. DANFORTH: Oh no. However, there must be some basic reason behind it because certainly the fact is that we are only using this complete isolation station for this specific purpose. We have invested half a million dollars in it within the last 18 months, and we are projecting another expenditure of $350,000. It is used now, as I understand it, from 90 days, or 100 days, or 110 days out of 365.

It seems logical to me, approaching it from a strictly practical point of view, that there should be some ways and means of increasing the use of the facilities already there, especially when there is such a backlog of demand for the importation.

Mr. WELLS: As Dr. Barry has said, sir, we are in fact looking back with the possibility of using it if there are sufficient calves available in the fall in France, which means that they could be selected in December or January at six months of age or under and then tested and moved into Brest, and eventually arrive here in the middle of May, as an example.

Mr. DANFORTH: You spoke, Dr. Wells, of the limiting factor of the isolation stage in Brest and the necessity of speaking for space, as I think you described it, in the station for almost a year in advance.

Now, is the Brest isolation station in continuous use the year round, or have they slack periods? My point is this: This station is used to capacity apparently at the time when we want to bring in importation; yet we are speaking of doubling our facilities here in Canada which would necessitate a double reservation over in Brest. Now, what is the status there?

Mr. WELLS: The Brest station is large enough to take 200 head of cattle, but when we are using it only Canadian cattle are in it and no other cattle because all countries do not require similar testing procedures. Therefore, when we are using it we permit only Canadian cattle to be in it because of our standard of testing procedures which other countries may not apply in total.

Mr. DANFORTH: So that this station actually deals with one lot, or one condition, at a time.

Mr. WELLS: That is correct, yes.

Mr. BARRY: There are some other uncertainties in this whole picture at the moment. It is possible that the French may construct another quarantine station.

Mr. WELLS: Yes.

Mr. BARRY: These are strictly uncertain circumstances at the moment.

Mr. PETERS: Could we not put our own quarantine station there?

Mr. BARRY: Well, sir, I do not think we would permit another country to put a quarantine station on Canadian soil, so I suppose they would have the same view about us doing it. I would think they would regard that as a national matter. Normally, this is the position which would be taken.

The CHAIRMAN: Can I ask you a question, Dr. Wells, if you do not mind, Mr. Danforth. Is the quarantine station at Brest similar to the one that is on Grosse Ile?

Mr. WELLS: Well, not quite, no, because they do not do the complicated testing there which we do here.

Mr. DANFORTH: This is all I have for the moment along this line, Mr. Chairman, but perhaps I may be permitted to put some questions along the line that has been followed. I notice in the estimates there is compensation paid by the department for the destruction of contagiously diseased animals. For instance, in the estimates for 1966-67 there has been allocated almost half the amount of 1965-66. Now, is this a common practice of the department in making adjustment because of the unforeseen contingencies that are arising, or is there some deliberate reason that these estimates have been cut in half?

Mr. WELLS: No sir. This reflects the decreasing number of tuberculosis and brucellosis reactives we are encountering as the country is cleared. During the early days of the brucellosis campaign we were taking out many more thousands of reactives than we are today, and as tuberculosis declined then the

compensation necessary went down. Then brucellosis came along and the demands for compensation, of course, jumped immeasurably, or increased considerably, and now that the number of reactives are dropping there is not the need for compensation. The actual compensation amounts put into the estimate are based upon the volume of testing that we think we can get accomplished during the next fiscal year, together with our fixed rate or percentage rate of reactors against the number we are likely to get tested.

Mr. DANFORTH: Then these estimates that are submitted by the department for the committee's study and for the government are based directly on the current picture as it appears?

Mr. WELLS: That is correct, sir.

Mr. DANFORTH: I have one other question, Mr. Chairman, based on the estimates. Under vote 40 you have the continuing establishment cost which deals with the salaries, the honorariums and payment to the various technicians. I notice there is an increase this year of approximately half a million dollars in this amount. May I ask if this is a normal or logical increase, or is this due to recent salary readjustments, or what is the basis for this increase in expenditure to this degree?

Mr. WELLS: Well, it would be based on two factors, sir. First of all, there is a continuing increase in the demands for service, particularly in the meat inspection field where many new plants are coming under inspection of the Canada Meat Inspection Act, and under statutory requirements inspectors must be supplied for these establishments. Secondly, it would reflect a statutory increase in salary.

Mr. DANFORTH: Mr. Chairman, it must reflect mostly statutory increases because, by observing the number of personnel, there has only been an approximate increase of 100 personnel which would hardly account for an increase in wages of half a million dollars.

Mr. BARRY: Yes, I was looking at the establishment and there is an increase of approximately 100 positions. Now, I suppose if you took 100 positions at an average of $5,000, that would be half a million dollars. The big increase is in the range of $4,000 to $6,000. So that would probably be about the average.

Mr. DANFORTH: That is what I was interested in, Mr. Chairman. I will pass, Mr. Chairman.

Mr. FORBES: Mr. Chairman, could I ask a supplementary now that we are back on compensation again, and I want to direct this question to you as Chairman? Earlier in our proceedings reference was made to compensation for the loss of livestock by contagious diseases, and that the revenue received as compensation was subject to income tax. Now then, the question is: Will we have the opportunity to have the Department of National Revenue before the Committee?

The CHAIRMAN: As I said, Mr. Forbes, we are trying to get all the information, I believe, which the Committee desires. We can probably have some of the officials come before the Committee at a later date and discuss this with them.

Mr. FORBES: This is a very important question because I have been caught on this myself. The fact is that any revenue received is regarded as income and, as referred to earlier, you could lose your whole basic herd and you would have to pay income tax on it. As I said, I think it is a very important question. I think we should be in a position to make some recommendation with respect to it.

The CHAIRMAN: Thank you, Mr. Forbes.

Mr. LEFEBVRE: Mr. Chairman, I just want to take the opportunity, while Dr. Wells and Dr. Moynihan are here, to ask these two gentlemen a couple of questions on the disease which is affecting horses at the present time in Pontiac County, and I believe this is commonly known as swamp fever. I think this was brought to your department's attention, Dr. Wells, in the last couple of days, and I believe a meeting is to take place among the Canadian Trotting Association, the Guelph Veterinary College and Dr. Roly Armitage, a veterinarian from Shawville, Pontiac County, and Mr. U. Proudfoot of Fort Coulonge, and officials of your department to possibly investigate the matter of initiating more research and health in combating this disease, which I understand is affecting some valuable race horses in this county and others.

Mr. Chairman, perhaps Dr. Wells could give some information on this subject to the Committee with regard to what they do know about this disease, and the research which is presently going on on this subject.

Mr. WELLS: Well, Mr. Chairman, infectious anemia or swamp fever of horses is not a new disease; in fact, it is a very, very old disease. It has sprung up recently more in the United States than in this country and we have already met with the horse association people in Canada with respect to this. Our research people are working on it. We have had the new test which is being developed in Texas investigated, and we are working with those people on that test for the disease. We have instituted closer inspection at the border on the importation of horses coming from the United States into our race tracks. We are aware of the meeting you have just described, and we will certainly be attending it to work on the disease.

Mr. LEFEBVRE: Would the Minister of Agriculture have to authorize this meeting, or can your department go ahead and organize it?

Mr. WELLS: No sir. In matters of this sort, because it is a matter of a disease emergency, we simply proceed on the basis of normal operations, keeping the deputy minister advised with respect to developments.

Mr. LEFEBVRE: Is there a vaccine now developed for this disease?

Mr. WELLS: No sir, there is no vaccine.

Mr. LEFEBVRE: There is research going on?

Mr. WELLS: Yes, there is research going on for it. The first problem, of course, as I said the other night in any of these diseases, and Dr. Frank mentioned it, is that we have to produce the causitive agent and be able to reproduce that causitive agent at will in order to work on any form of the vaccine. Second, we have to establish a diagnostic test in order to pick out

evidence of the disease in animals prior to the establishment of clinical symptoms, and these are the two difficult areas with respect to this disease. In fact, in any disease where we have trouble, these are the two difficult areas.

Mr. LEFEBVRE: Thank you.

The CHAIRMAN: Are there any further questions on the control of diseases established in Canada? With respect to the prevention of introduction of foreign diseases, this has been discussed at great length. The next item is export certification.

Mr. DANFORTH: I am sorry, Mr. Chairman, may I ask where we are at the moment?

The CHAIRMAN: We are just getting ready to start on meat inspection division.

Mr. PETERS: Before we proceed, could I ask that we go back for one question on horse racing?

The CHAIRMAN: Yes.

Mr. PETERS: Is it your inspectors who do the horse racing inspections?

Mr. WELLS: We inspect horses at the border, Mr. Peters, and because of this recent infectious anemia problem we are working with the racing people, making certain that flies are kept down at racing tracks because flies are the vectors of infectious anemia, but we are concerned again solely with the disease problem.

Mr. PETERS: In its initial stages this would be pretty hard to detect. In other words, is there an advantage in us putting on a quarantine against moving our horses into the United States tracks, and the United States horses into Canadian tracks at this time?

Mr. WELLS: No, I do not think so, sir. The first indications of the disease is a temperature, and we are not taking the temperature of all horses when they are presented for entry into Canada.

Mr. PETERS: Do your veterinarians provide a saliva test?

Mr. WELLS: No sir, we do not do the saliva testing. These veterinarians are appointed by the race track. This is under the Department of Agriculture, but it is not under the health of animals branch, of course, because this is not a matter of disease testing. This is for the race track betting operation.

Mr. PETERS: Has there not been any request for this to be brought under one department, or one section?

Mr. BARRY: Well sir, the supervision of racetrack betting submitted to under the livestock division of the production and marketing branch.

Mr. PETERS: We have a request from the Committee to review the whole matter. This is why I was asking about the veterinarian part of it.

Mr. BARRY: Right now, as I understand it, the veterinarians used on the tracks in connection with the saliva and urine tests primarily are employed by the tracks. Our health of animals branch does not enter officially into this side of it.

The CHAIRMAN: I would just like to comment that I think the report on horse racing will be ready this afternoon for the Committee.

Mr. Danforth, when we interrupted you before, you had some questions, did you not?

Mr. DANFORTH: No. I will pass, Mr. Chairman.

Mr. NOBLE: Are you going on with meat inspection now?

The CHAIRMAN: Yes.

Mr. NOBLE: Well, Mr. Chairman, I would like to put this question. As is known by most everybody these days, a lot of meat is being produced with the use of stilbestrol, and I have had a sad experience in this connection. This was not voluntarily; it was something which happened to us accidentally. I saw what can happen to livestock through the use of this material. I am wondering what can happen to humans who may become exposed to this product through the use of meat which has been produced by the use of stilbestrol. Can Dr. Wells tell us anything about this?

Mr. WELLS: If I may, sir, I would prefer to be excused from discussing the effects on humans upon the consumption of stilbestrol.

Mr. NOBLE: Well, perhaps I could put it this way, Mr. Chairman. Has this department done any research on meat which has been produced by the use of stilbestrol?

Mr. FRANK: We have done some research in so far as tests are concerned which can be used in determining how much stilbestrol there is in meat. We do have a test for it.

Mr. NOBLE: The point I would like to make here is the fact that there are regulations with respect to the use of stilbestrol, that the animals have to be kept for a certain period after they have had stilbestrol before they can be marketed. Is this true, Dr. Wells?

Mr. WELLS: Yes, this is correct.

Mr. NOBLE: What is this period of time?

Mr. WELLS: It is 48 hours.

Mr. NOBLE: Only 48 hours?

Mr. WELLS: Yes. This is a regulation of the Food and Drug Directorate, Department of National Health and Welfare.

Mr. NOBLE: Would this also apply to animals that had been treated by implanting pellets in their ears?

Mr. WELLS: Yes, it can be withdrawn, of course.

Mr. NOBLE: Well then, how are you going to regulate this particular phase of the introduction of stilbestrol?

Mr. WELLS: The food and drug regulations permit only the use of stilbestrol in beef cattle under 400 pounds of weight.

Mr. NOBLE: I am wondering how closely these regulations are being observed, and how people are being protected against unscrupulous readers who might take advantage of a situation which is not closely scrutinized, as far as I can learn. In fact, I know of a chap who sterilized a herd of mink by feeding them beef trimming. Now, it seems to me that if this had been implanted in an ear that this would be almost impossible. This indicates to me that this implant must have been made in the neck of these animals to have this particular part of the carcass affected with stilbestrol to the extent of sterilizing a herd of mink.

Now this is something which I think should be looked into. I do not know how many of you fellows have really seen the results of a severe taste of stilbesrol poisoning, but if you had been with me and had seen the exerience we had you would realize how dangerous this product is. It also seems to me, Mr. Chairman, that this material is deadly in the hands of a layman. It may be all right when applied by scientists and doctors, but when it is allowed to get into the hands of anybody who wants to use it, I think this is a dangerous practice.

The CHAIRMAN: Do you have any further questions, Mr. Noble?

Mr. NOBLE: Mr. Chairman, I think the Committee should make some recommendation right here and now in respect of this matter because this is a serious subject.

The CHAIRMAN: I may say, Mr. Noble, that you were here when we first discussed it with the Agricultural Committee. Since then I have talked to several medical doctors about this being carried over into meat consumed by humans, and I asked three of them if there was any danger involved. Of course, these people were quite knowledgeable; they said they could see no danger, but they may have been wrong too. I listened to an interview of a medical authority with a newspaperman—this was at the same time our Committee proceedings had been going on—and this medical authority said no, he could not see any possibility of humans being contaminated, or whatever you want to call it, damaged by consumption.

Mr. PETERS: Mr. Chairman, a supplementary question. Is it not a fact that when stilbestrol is used in certain products and these products are fed to mink, for instance, that they kill the mink?

The CHAIRMAN: They sterilize them.

Mr. PETERS: They sometimes kill them, not just sterilize them. It is not only an abortifacient, if that is the word, which has the effect of an abortion, but it also is highly dangerous in large quantity, and for that reason it kills mink. Obviously, it cannot be good for humans. It may be the medical argument that it may not be lethal, or it may not be highly dangerous.

What protection is given to the situation which is taking place in western Canada, I am told, where they use a very large dose of stilbestrol to effect an abortion before they ship heifers? If a heifer is pregnant they abort it by giving it a very large dose of stilbestrol and within a very short time that animal, in an unpregnant condition, can be on the market. This is not just stilbestrol in feed; this is a very large effective dose of it.

Mr. WELLS: This is not a common practice, Mr. Peters, but it is a fact that it can be used in this case. It is used primarily when an individual wishes to have dry heifers for growing purposes rather than pregnant heifers in so far as putting on the meat trade is concerned. When it is done for abortion purposes, then the animals have to be held for some considerable time because the act of abortion in itself makes them unfit for slaughter. The purpose of doing it is in order that they will grow and add more weight, so that they are kept at pasture invariably following this procedure. They are not aborted specifically to move them into the slaughter chain.

Mr. PETERS: Well, is it possible to tell from a medical point of view whether the abortion is controlled with the use of stilbestrol as opposed to—I do not know many medical terms—just general control? There are animals that do abort automatically themselves and you have to dispose of these, very similar to the brucellosis contagious abortion in an active state. These cattle are sold on the market. You have a heifer that aborts. Most people with good cattle would not take a chance on keeping her for a period of time to see whether this was by accident or whether you knew that she was, what might be called, a perennial aborter. Now, can you tell the difference between these two factors? These cattle are put on the market; obviously a dairy farmer ships this kind of heifer.

Mr. WELLS: They have to be kept for approximately ten days following any abortion; otherwise they would be condemned in the packing plant as unfit for food, or any calving as a matter of fact, natural or unnatural. Otherwise, it would be a matter of condemnation of the product. So that they are not shipped immediately following the abortion.

Mr. PETERS: How can they detect this?

Mr. WELLS: By means of examining the uterus.

Mr. PETERS: Do they do this in both cases?

Mr. WELLS: Oh, absolutely sir. In all inspected packing plants in this country there is an anti-mortem and a full post mortem of every animal.

Mr. FORBES: If you are through, Mr. Peters, I would like to ask one supplementary question. You made reference to using the stilbestrol implant in livestock up to 400 pounds. Now, who controls whether you use it on a 400 pound animal or an 800 pound animal? You get a tranquilizing effect regardless of what animal you use it on, and I know that this is being done because it is a tranquilizer and it quietens them down. You can put steers and heifers all in the one pen together. It quietens them down; they go on feed and do well right from the start instead of taking a week or two to settle down. So who controls this?

Mr. WELLS: The Food and Drug Directorate of the Department of National Health and Welfare.

Mr. FORBES: I can buy it and put it in myself. Who controls me?

Mr. WELLS: There is this regulation under the food and drug people which prohibits its use in total in poultry and permits its use in cattle.

Mr. FORBES: Yes, but it does not direct who must make the implant?

Mr. WELLS: No sir.

Mr. FORBES: Nor at what rate?

Mr. WELLS: Yes, it says it must not be used over 400 pounds.

Mr. FORBES: Yes, but then who controls me? I can decide to put this into a heifer that weighs 800 pounds, or close to it, to get the tranquilizing effect.

Mr. WELLS: Perhaps I should say I am not aware, sir, of the control exercised by the Food and Drug Directorate.

Mr. FORBES: You just have to depend on the trustworthiness of each breeder.

The CHAIRMAN: I would only like to make one comment, Mr. Danforth, on Mr. Noble's suggestion, that possibly the Committee should gather every bit of information they can from the Food and Drug Directorate and have the steering committee study this and make recommendations to the Committee direct before we submit our report.

Mr. DANFORTH: Before we delve into that field of it, perhaps it would be wise for the Committee at the present time to take advantage of the witnesses before it to find out just how much of the control or what field of influence the Department of Agriculture has in this particular and important question.

The CHAIRMAN: You mean on the uses of stilbestrol?

Mr. DANFORTH: Not so much on the uses. I follow along Mr. Noble's deep concern over the fact that humans might be in some instances subjected to this, and I would like to ask some questions if Mr. Forbes is finished?

The CHAIRMAN: Yes.

Mr. DANFORTH: If I may, Mr. Chairman, I would like to find out if it is possible, or if it is a fact, that our normal meat inspection as carried out could determine whether there were present in carcasses this chemical, or any other chemical, which could be adverse to humans on the consumption of the meat.

Mr. WELLS: No sir, it is not possible in the normal meat inspection operation because it would be totally impossible to conduct the required tests on every carcass for stilbestrol.

Mr. DANFORTH: Mr. Chairman, I am sure we have the gentlemen here with the knowledge this morning that can enlighten the committee in this particular field. We speak of the food and drug which has the responsibility to determine which are and which are not harmful chemicals, and they more or less by their knowledge draft up the retulations under which these are used specifically in Canada. May I ask then what is the field of the Department of Agriculture; how is there any check run with regard to whether or not there are harmful chemicals in the meat used for consumption? How do you determine this? I would be interested to know what safeguards there are for the public. Now, certainly the food and drug do not carry on an inspection to determine whether this is there. We can have all the regulations in the world, but unless we are sure that the public is safeguarded, of what value are the regulations?

For example, as Mr. Forbes pointed out, this regulation states that the implant must be in an animal 400 pounds or under. What safeguards have we as to the fact that it is put in at 800 pounds? For example, they say an animal cannot be put on the market for 48 hours after an injection of stilbestrol. Why was the 48 hours determined? This is what the public is interested in, I think, Mr. Chairman. Does the matter of cooking meat destroy this chemical and make it so that it is not harmful to humans, or just what is the picture as far as the Department of Agriculture is concerned? Where is their field of influence? Have they any recommendations they would care to offer the Committee in this regard?

Mr. C. R. PHILLIPS (*Director General, Production and Marketing Branch, Department of Agriculture*): Mr. Chairman, I recall when the stilbestrol problem first arose here as to whether it could be used in Canada. Food and drug, in conjunction with the Department of Agriculture, examined this thoroughly. In terms of feed, we were involved because of the Feeding Stuffs Act, and it was determined that with the level of stilbestrol allowed in the feed, if the feed was labelled not to be fed within 48 hours of slaughter there was complete safety. The evidence demonstrated that there was no residue in meat when fed this feed after 24 hours, and it generally takes at least 24 hours from the farm to slaughter in the case of cattle.

Where the department came into it in terms of stilbestrol generally was in terms of their interest in allowing the material in feed or as an implant which would be of economic benefit to the farmer. Food and drug examined it from the standpoint of harmfulness to humans, and after all their tests and submissions by the people on tests that had been made in the United States and Canada it was approved, but not for poultry. It is just for beef and lamb in terms of feed.

I want to make an observation on this matter of implants. I would not expect farmers to implant too close to market unless it were for some other purpose than for economic gain, because it does take a period for this gain, and therefore they just would not do it. I gather Mr. Forbes believes it has other advantages; I am not aware of that.

Mr. NOBLE: Mr. Chairman, this is where the trouble comes in and this is where I think this Committee should take action because this is the place that this can be used promiscuously and by people who are not concerned about your health or mine; they are concerned about making a buck. So, I feel that this is where we should make a recommendation that there should be some restriction with respect to the use of the pellets for implantation.

I will go along with the thinking that possibly after 48 hours, or maybe a little longer, the animal is able to get rid of any residue which might come from this material. I have my doubts about that too because we have had tests made on livers and tripe that have come from the slaughter houses and we have found the residue from stilbestrol. We had a sad experience and we went into all the angles to see whether we could locate this trouble, and this is evidence that can be relied on.

Now then, Mr. Chairman, I hope I am not interfering with you fellows. It has been stated that it was unlawful for use in poultry. When we first had this trouble with stilbestrol it was laid right on the door of poultry; it was said that this was the only place we could get this particular poisoning. Of course, tests were made and the report got out that it was in the poultry, with the result that I had two of the people from the Agricultural College in Guelph consult me on this matter and they said, "You are wrong there; it could not be in poultry because it has been outlawed for four or five years." Of course, we began looking for other sources.

However, the point I want to make is this: When these people talked to me about this particular problem of the stilbestrol in poultry, they said one of the reasons why there was a danger to humans in using it in poultry was because it was done with the implant, and secondly, that most of the gain put on poultry was very moist flesh, and there was a quick shrinkage after the poultry was killed. They recommended to poultry breeders not to use it; that it was not of any particular value anyway because there was this big shrinkage unless they got their poultry on the market quickly after it was killed. As you know, a lot of the poultry has to be stored for some time before it is marketed. So they pointed out to them that there was no particular advantage.

In going a little further with this matter, I do believe in our experience that the residue does build up in the body until it comes to a point, you might say, of explosion, when it comes to the breakdown point. We had been feeding this for possibly six weeks to two months unknowingly. It was pointed out to us that we started to feed this on January 17. These people had the dates of when it went into the feed. Of course, we do not know how it got into the feed; they never did tell us that. They were responsible for this and it was knowledge that they wanted to keep in confidence. But this breakdown did not come until around the first of March.

Now then, this indicates to me that there was a build-up of the residues in the bodies of those animals, and the first thing that we saw was a complete breakdown of the urinary tract. Now then, if this affects small animals in this respect—and it was a very minute amount that was getting into this feed—it indicated to me that we did not need a very large amount to do some of the things which you mentioned a while ago, such as abortion. I do not think it would take a very large amount to cause an abortion because I talked to a druggist and he told me that he knew incidents where this was being used by humans.

Now, when you get into all these angles of this thing, I think it is a dangerous practice completely. I think we should take firm action here to have something done, and we should do something in respect to the regulations of administration because it should not be allowed to be used in the hands of a layman who does not know what it is all about. One feed fellow who I know keeps it on hand, and a steer feeder will come in and say, "I want some

stilbestrol in my feed". Now there is no particular amount stated; he goes in with a scoop, takes so much out of the bin, throws it into the box of feed and mixes it up, and maybe the next fellow gets half as much again as the last fellow got. This is how loosely it is being used. So I think something should be done here and now and not wait until we get into serious trouble such as some of the other matters that have happened to us over the years because we disregarded things which should have been looked into on the spot.

So, Mr. Chairman, I think that some recommendation should go forward from this Committee. I am not saying you should go over the head of Dr. Barry or Dr. Wells. I think they can probably help us in this because after all the cattle breeders have benefited by the use of stilbestrol. They have added faster gains to their cattle and they have made money out of it. However, if it is going to injure our health, I think money should be a second consideration. Thank you.

The CHAIRMAN: Thank you.

Mr. DANFORTH: I was very interested in the remarks of Mr. Phillips; it clarified the picture considerably. Perhaps I may just pursue this matter based on the information he gave us. As I understand it, it was stated that this was not for poultry, but it was specifically for beef animals and sheep. You spoke of it being incorporated in the feed from feed companies. Now, was there any regulation stipulated as to the maximum amount which could be put into the feed? Second, is there any check by the Department of Agriculture, or to your knowledge the food and drug inspectors, on the feed itself to see whether a continuity is in the feed, or whether precautions are adequately taken that the next batch of feed in the particular mixing is not contaminated without thorough cleaning? What is the procedure in this regard?

Mr. PHILLIPS: Well, Mr. Chairman, at the time the approval was given for the inclusion of stilbestrol in feed there was quite an extensive requirement on the part of the manufacturer. The feed had to be registered. As far as I am aware, it is not permitted now to be made on the basis of a customer formula feed, as we call it, as Mr. Noble had indicated. The maximum level specified at 10 milligrams of stilbestrol per head per day is what is required, and in the feed it must be at a level as the feeding direction stated. The manufacturer, before he could register the feed, had to establish he could mix to that level. He had to have feeds mixed and submit it for tests to determine whether he could in fact mix to that fine degree. He was allowed a tolerance of 10 per cent from guarantee. If it was over plus or minus 10 per cent then he had not established that he could mix it. He had to establish that the feed was cleaned out of the mixer and the subsequent feed did not contain stilbestrol.

We know now from the tests that were in effect at that time—all tests have been proved—that there could have been at that time an amount of stilbestrol in a feed that followed following clean-out which was sufficient to affect mink. Mr. Noble is familiar with this. It took an entirely different test rather than a chemical one to determine this. The feeds were tested regularly, and if it were

found subsequent to approval that the firms had not met this test, the privilege to mix was removed. These were the items that were taken into account in determining whether a manufacturer could mix these feeds. Of course, there were cautions required on the label about the beef of animals and so on.

Mr. DANFORTH: May I ask who polices this? Is this under the Department of Agriculture?

Mr. PHILLIPS: Yes.

Mr. DANFORTH: Then the Department of Agriculture police this, and it is a continuing process—

Mr. PHILLIPS: Yes.

Mr. DANFORTH: —as far as the feed is concerned?

Mr. PHILLIPS: That is right.

Mr. DANFORTH: Now, are these commercial feeders licensed under the department to incorporate this in the feed, or is it just by regulation?

Mr. PHILLIPS: You said commercial feeders?

Mr. DANFORTH: Producers or mixers.

Mr. PHILLIPS: Manufacturers of feed?

Mr. DANFORTH: Yes.

Mr. PHILLIPS: They must have their feeds registered, as we call it, under the Feeds Act; this is provided under the act, and regulations with respect to this particular type of feed are indicated in the regulations.

Mr. DANFORTH: Can any commercial feed production establishment produce or incorporate stilbestrol in the feed without obtaining its—

Mr. PHILLIPS: Not under the law.

Mr. DANFORTH: Then they are in fact breaking the law if it is done. I am very much impressed with precautions which have been taken by the department in this particular area.

Now, as far as the other area is concerned namely the incorporation of stilbestrol in the feed, this is by request of the producers themselves. Is there a high cost factor involved? Is this an expensive proposition?

Mr. PHILLIPS: No. Your question is, are stilbestrol feeds more expensive than others, and how much?

Mr. DANFORTH: Yes.

Mr. PHILLIPS: I cannot answer that as I am not up to date on the differences in cost.

Mr. DANFORTH: What I am particularly interested in, and the basis for this question is, I am wondering whether there is a profit angle on the part of the manufacturer of the feeds themselves. In other words, he would derive more profit in his establishment by producing feeds containing stilbestrol than the margin of profit from feeds not containing stilbestrol?

Mr. PHILLIPS: I would expect that there would be the element of competition, and he would derive an additional profit to the extent that he would be able to sell more feeds.

Mr. DANFORTH: Well then, to get into the other field that I am particularly interested in: To the knowledge of the officials here this morning, is it possible for any farmer to procure stilbestrol in any quantity without licence or regulation? Is this readily available? Could I go to a commercial chemical supplier or to a commercial feed establishment and buy a quantity of this stilbestrol?

Mr. PHILLIPS: Not to my knowledge in terms of the stilbestrol that was in the feed. However, I believe—and this is under food and drug—that implants are properly labelled, but not for feeding.

Mr. DANFORTH: No, but for use. In other words, could I go to a normal drugstore, or a normal farm products centre and buy 200 implants without having to make formal application or sign a certificate such as you would if you were procuring harmful drugs? In other words, I could just go in and order a ton of fertilizer, 200 implants and two tons of bran. Is it just as easy as that?

Mr. PHILLIPS: I hesitate to answer this because this comes under the department of food and drug.

The CHAIRMAN: Dr. Hetherington, do you wish to answer this?

Dr. C. K. HETHERINGTON (*Director, Meat Inspection Division, Department of Agriculture*): I see no reason why you could not go to a drugstore and buy the implant without signing a certificate or a statement.

Mr. DANFORTH: If I may, Mr. Chairman, I would just like to follow this through because I think it is of interest to the Committee on this particular subject. I can buy these implants, and once they are in my possession I can use them in any way which I may determine. Then, as I understand it, there is no way of inspecting the meat which I might sell as a product, or there is no inspection carried out for this particular chemical.

Mr. PHILLIPS: I meant to include in my answer a while ago that this question was in fact asked and was answered by food and drug with respect to the checking on stilbestrol, and there was no evidence of stilbestrol residues in meat in their inspections.

Mr. NOBLE: Mr. Chairman, may I interject there? I am the one who asked the question in the House of Commons and this is the reply I received from the Minister of National Health and Welfare. However, I do not go along with it because they could make a check on a couple of carcasses without following through with this thing. Now, in some of the carcasses, it may be in the feed that they were using; others may be implants. They do not say, "Well, we will check all the ones that have been implanted and compare them with the ones that have been fed with cereal". They made a spot check, they did not find it, and that is all. That is how I got the answer. I got it quick; it was only a few days.

Mr. DANFORTH: I want to follow through with this, Mr. Chairman. Is it not a fact that I can use these implants? I can grind them up and put them in the feed if I want to. There is no regulation which says I must not, or nothing that prevents me from using it in any way I may wish; there is no way of checking what I do with them. As I understand it, any of the products which I sell are just going through normal inspection, and there is no way of testing whether there is lethal residue of stilbestrol in the carcasses. Am I right in this assumption?

Mr. PHILLIPS: You are right except you would be breaking the law because there is something in the Food and Drugs Act which says you cannot sell meat containing a drug, or meat which is contaminated with a drug. If they checked they would hold you responsible as they did with the pesticide checks in Manitoba a few years ago when the farmers knew nothing about it.

Mr. DANFORTH: I can appreciate that. I would just like to follow this through. This is stated under the food and drug. However, my understanding is that I would not even be subject to investigation or prosecution unless somebody died and they could trace it back through the meat I produced. To be absolutely blunt, half a dozen people could be made sterile and not realize for a year perhaps that this had happened. How in the world could they ever trace that back to me.

Mr. PHILLIPS: Most people would take longer to have their tests—

Mr. DANFORTH: This is my problem. I think this is a very important matter, Mr. Chairman, in that we are continually progressing into a more chemical field each and every year, and there are very important questions arising now as to whether we do have proper safeguards in this respect. Certainly, I am not casting any aspersions on any department or anything else, but I would like to have it clarified if we are in effect, in the use of some of these chemicals, creating a hazard to public health.

The CHAIRMAN: I would just like to interject one thing. I think most of our agricultural producers of the nation—there may be the odd unscrupulous one—have a real concern themselves that their product, whether it be meat, vegetables or anything else does not have this carryover in it. I would think that this is probably part of the department's line of thinking on this too. I would not want the Committee to create the thought in the public's mind that there were people who were implanting stilbestrol like wild and feeding it like wild without any concern at all; I hope we are not doing this.

Mr. DANFORTH: Mr. Chairman, this is beside the point. It is all right to speak of the honour system, but we could have half a dozen individuals in the total population infected by one unscrupulous act. I want to see if we can rule out the possibility. I can appreciate that most of the farmers are honourable men, and I will go along with that 100 per cent. I am more concerned about what can and sometimes does happen regardless of how scrupulously all parties behave.

The CHAIRMAN: I would think, Mr. Danforth, that we realize, in spraying insecticides and so on, commercial sprayers now all have to be licensed, and I think you are aware also that people spraying vegetable crops commercially have to pass special tests; this year some of them failed and they were quite put out about it. This is becoming stricter. I think what Mr. Noble has asked here certainly the committee can follow up and make some fairly strong recommendations on this.

Mr. DANFORTH: But I am trying to establish the fact, Mr. Chairman, that under the actual practices we are following today there is the possibility of this hazard. This is what I would like to establish for the record of the Committee so this Committee will be in a position to make a constructive recommendation in this regard. I am very sympathetic with what happened to Mr. Noble which was a very costly experience indeed. It alarmed me as to the possibility of what the population of Canada can be subjected to unknowingly.

The CHAIRMAN: In order to clarify it, we should say what happened to Mr. Noble's mink because they may get the wrong idea here.

Mr. NOBLE: It ruined my reputation.

Mr. FORBES: Mr. Chairman, I would like to follow this up a little further. Is it not a fact that stilbestrol used as an implant is in a different form to that which is mixed into feed? This would rule out the possibility, as Mr. Danforth says, of mixing it unscrupulously.

Now the other thing is this, that in this pre-feeding they have to mix feed, with stilbestrol, but there is no hay or straw used in the mix; it is an all-grain ration and the steers are running loose. This gets to the point Mr. Noble brought up that one animal could get an unlimited quantity. It is a different thing feeding it that way than if animals are tied in a stall and you are giving each individual animal so much feed. This is the possibility of one animal getting an over-supply. My understanding of this is that if an animal gets an over-supply of stilbestrol, he practically goes to sleep for a day or two, and when he recovers he goes back on feed again. We know through practice that it has a stabilizing effect on the animal; that is, he quietens down immediately he gets this feed. This is the only danger of an animal getting too much.

The implants are the safeguard where an animal only gets so much. If you give an implant you are sure that he is not going to get an over-feed. The danger is when you are feeding them an all-grain ration, it is loose and the animals are running loose and then they go out and take too much.

Mr. NOBLE: It would be all right if you were using it on your cattle, but not everybody.

The CHAIRMAN: Are there any further comments on stilbestrol?

Mr. PETERS: Well, Mr. Chairman, I do not think we should leave it the way it is. I am not sure what further steps we can take, but obviously we have reached a stage—

The CHAIRMAN: If I may interject, Mr. Peters, the subcommittee should meet and certainly come up with some suggestions and, if necessary, consult further with Dr. Wells and his department and with the Food and Drugs

Directorate and make a recommendation back to the committee. Is that satisfactory?

Mr. DANFORTH: I have no objection to that, Mr. Chairman.

The CHAIRMAN: Are there any questions on meat inspection? If there are no further questions...; it is after 12 o'clock now, there is no real need to keep these people here.

Mr. ASSELIN (*Richmond-Wolfe*): What about chicken litter being fed to animals? Have you found that it has any effect on the meat?

Mr. WELLS: Not as yet, sir, by ourselves, but we are in the process of examining this whole position. This again depends upon a number of factors, such as whether the litter used is from mature laying poultry stock or whether it is from broiler stock. It depends upon the age of the litter and the amount of bedding which has been applied to the litter. We have in fact established places throughout Canada where it is being used. We have run tests on it with respect to feeding of cattle, concerning the possibility of the transfer of infection and we are in the process of running a survey on the whole issue to establish what the effects of it are.

Mr. ASSELIN (*Richmond-Wolfe*): Have you made any contacts in the United States on this?

Mr. WELLS: Yes, we have.

Mr. DANFORTH: Mr. Chairman, how late is it proposed that the Committee will sit because I have a number of questions I would like to ask with respect to this.

The CHAIRMAN: I have been here since 9.30 and people have been waiting in my office for about an hour now, so I feel we should adjourn now. We will meet, if the House is still in session, on Tuesday.

The committee adjourned.

OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 23

Respecting

Estimates (1966-67) of the Department of Agriculture

TUESDAY, JULY 5, 1966

WITNESSES:

From the Department of Agriculture: Mr. S. B. Williams, Assistant Deputy Minister, Production and Marketing Branch and Chairman of the Agricultural Stabilization Board; Dr. Julius Frank, Acting Director, Animal Pathology Division; Dr. C. K. Hetherington, Director, Meat Inspection Division; Mr. Frank Payne, Chief, Merchandising Section, Poultry Division.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24795—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Crossman,
Mr. Danforth,
Mr. Éthier,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Herridge,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*),
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. MacDonald (*Prince*),
Mr. Matte,
Mr. McKinley,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, July 5, 1966.
(30)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 9.50 o'clock a.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Danforth, Éthier, Faulkner, Forbes, Gendron, Honey, Hopkins, Laverdière, Lefebvre, MacDonald (*Prince*), Matte, McKinley, Moore (*Wetaskiwin*), Noble, Nowlan, Peters, Pugh, Rapp, Ricard, Roxburg, Schreyer, Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan, Yanakis (24).

In attendance: From the Department of Agriculture: Mr. S. B. Williams, Assistant Deputy Minister, Production and Marketing Branch and Chairman of the Agricultural Stabilization Board; Mr. J. S. Parker, Director General, Departmental Administration; Dr. K. F. Wells, Veterinary Director General; Dr. Julius Frank, Acting Director, Animal Pathology Division; Dr. C. K. Hetherington, Director, Meat Inspection Division; Mr. Frank Payne, Chief, Merchandising Section, Poultry Division.

The Committee resumed consideration of the estimates of the Department of Agriculture for the fiscal year 1966-67, items 40 and 45, Health of Animals. After the Chairman introduced the officials, the Committee resumed questioning them.

Later, at the request of Mr. Noble, it was *agreed* that the Departmental officials would supply the Committee with figures on the number of birds condemned because they were dead on arrival at the various poultry slaughtering plants.

On motion of Mr. Peters, seconded by Mr. Matte,

Agreed,—That items 55 and 60 of the estimates of the Department of Agriculture for the fiscal year 1966-67 carry.

The Chairman and members of the Committee thanked the officials from the Health of Animals Branch.

The Chairman recalled item 15 of the estimates of the Department of Agriculture for the 1966-67 fiscal year and the Committee resumed questioning the officials.

At 12:00 o'clock noon, the questioning of the witnesses continuing, the Chairman adjourned the Committee till 3:30 o'clock p.m. this day, or to the call of the Chair.

24795—1½

AFTERNOON SITTING

The Standing Committee on Agriculture, Forestry and Rural Development having been duly called to meet at 3:30 o'clock p.m. this day, the following members were present: Messrs. Danforth, Gauthier, Hopkins, Jorgenson, Laverdière, McKinley, Moore (*Wetaskiwin*), Whelan.

Also present: Mr. Loney.

In attendance: *From the Department of Agriculture:* Mr. S. B. Williams, Assistant Deputy Minister, Production and Marketing Branch and Chairman of the Agricultural Stabilization Board; Mr. Frank Payne, Chief, Merchandising Section, Poultry Division; Mr. J. S. Parker, Director General, Departmental Administration.

There being no quorum, by 4:10 o'clock p.m., the Chairman, Mr. Whelan postponed the meeting to another day.

Michael B. Kirby,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, July 5, 1966.

● (9.55 a.m.)

Mr. CHAIRMAN: Gentlemen, we will start the meeting. We have with us this morning Mr. S. B. Williams, Assistant Deputy Minister, who also is in charge of production and marketing and chairman of the Agricultural Stabilization Board; Dr. Wells, Veterinary Director General; Dr. Hetherington, Director, Meat Inspection Division; Dr. Julius Frank, Acting Director, Animal Pathology Division, and Mr. Parker, Director General, Departmental Administration.

We were on meat inspection when we adjourned on Thursday so we will continue with that subject.

Mr. DANFORTH: Mr. Chairman, I have some questions to ask on meat inspection and meat inspection services. Are the actual meat inspection regulations under provincial or federal jurisdiction?

Dr. K. F. WELLS (*Veterinary Director General*): There are both federal and provincial meat inspection regulations. In the case of the federal regulations the Canada Meat Inspection Act and the regulations made thereunder require that no meat or meat food products may move interprovincially or for export without having been produced under the provisions of the Canada Meat Inspection Act or the regulations made thereunder. Some of the provinces do have a provincial Meat Inspection Act and regulations and they operate solely within the province and meats are not eligible for interprovincial or export movement.

Mr. DANFORTH: Dr. Wells, has it been the practice, as in other fields, for example, vegetable inspectors, for the federal meat inspectors to act on behalf of the province in regard to provincial regulations as well?

Mr. WELLS: No, this has not been the practice, with the exception that within the last six months an agreement has been concluded with the province of Manitoba whereby instead of the province of Manitoba establishing a provincial meat inspection system to take care of small meat slaughtering plants which are not under the Canada Meat Inspection Act an agreement has been reached with Manitoba whereby these will be brought under inspection; we in the federal meat inspection operation will carry out and do all of the provincial meat inspection in Manitoba and the province will reimburse the federal government for the cost of that service.

Mr. DANFORTH: This leads me to a further question I have along this line, Dr. Wells. It is my understanding that there has just very recently been a change in the meat inspection in Ontario; there was some publicity about that.

Can you explain whether this was formerly under federal jurisdiction and now has been taken over by the provincial jurisdiction? What is the status there?

Mr. WELLS: Well, there are a number of small plants in the province of Ontario, and in all provinces in fact, which do not come under the provisions of the Canada Meat Inspection Act. Now the Canada Meat Inspection Act requires that it be compulsory that any plant shipping any portion of its product interprovincially—that is, from the province of origin to any other province—must come under the total provisions of the Canada Meat Inspection Act. Also, any plant voluntarily wishing to come under the Canada Meat Inspection Act, even though they do not ship interprovincially, may do so. There are, in addition to that, a number of plants which are small and which do not voluntarily wish to come under the Canada Meat Inspection Act and do not ship interprovincially. So the province of Ontario then established a meat inspection system to take care of these plants; but there was no transfer of any duties, responsibilities or actions in so far as meat inspection is concerned. The Canada Meat Inspection Act still is the one drawback covering meat inspection throughout all of Canada.

Mr. DANFORTH: Well if I understand this correctly then, Dr. Wells, any change in Ontario that has taken place—and I am aware there has been a change just recently—conceivably could be because a small abbatoir had requested inspection under the Canada Meat Inspection Act and now through the change to provincial regulations they would be subjected to inspection, by provincial inspectors. Am I correct in my assumption?

Mr. WELLS: If I understand your question, Mr. Danforth, I think the answer is no. Any plant seeking inspection under the Canada Meat Inspection Act may do so provided, of course, it meets the requirements of the regulations.

Mr. DANFORTH: Perhaps I could be more specific and give you a concrete example of what I am driving at. To my knowledge, there have been small abbatoirs that have been under inspection and now they find that in Ontario there has been an abrupt change in inspection and they are subjected to a number of new provincial regulations. This is a change. Could they, conceivably, have been under federal inspection by their own request and now because of the new regulations in the province be under provincial inspection.

Mr. WELLS: No, not at all. The provincial regulations specifically exclude any plant operating under the Canada Meat Inspection Act. No plant operating under the Canada Meat Inspection Act has been required to leave it and come under the province.

Mr. DANFORTH: I am speaking of a plant that does not engage in interprovincial movement.

Mr. WELLS: That is right; the same thing applies. No plant operating under the Canada Meat Inspection Act has been required to leave the provisions of that Act and operate under any provincial scheme. Now it might well be that some of the smaller plants were under municipal meat inspection authorities and these would be taken over under the provincial inspection system—some

municipal authority, but not under the Canada Meat Inspection Act. The provincial regulations exclude all plants operating under the Canada Meat Inspection Act.

In fact, sir, the net result of the provincial meat inspection system in Ontario, and some other provinces, has been that when plants have had to correct construction deficiency, equipment and general operation to the point of meeting provincial inspection they come to the conclusion that they may as well come under the Canada Meat Inspection Act and enjoy the privileges of the interprovincial trade. I think that the trend would be—and Dr. Hetherington will bear me out if this is correct—that plants would move from the provincial system into the federal system in order to enjoy the benefits of interprovincial and export trade.

Mr. DANFORTH: Well to your knowledge, Dr. Wells, is there a great deal of difference between the provincial regulations in Ontario and the federal regulations that are based on the knowledge of the unfortunate circumstances that we had a number of years ago in this regard? Are there any basic differences between the Ontario and provincial regulations that might force or be more advantageous to a small abbatoir to request a Canadian inspection? In other words, are the Ontario regulations tougher than the Canada regulations?

Mr. WELLS: No; on the contrary, the actual process of inspection of the carcass and meat, I believe, is relatively the same. The physical requirements, construction and plant operation generally are perhaps a bit more stringent under the Canada Meat Inspection Act than under the Ontario system.

Mr. DANFORTH: Dr. Wells, I have received some representations from small abbatoirs who have claimed that they have been classified as A-1 under previous inspection but feel that under the new regulations, where extensive modifications to their plant are made necessary, they would be forced out of business. Have there been any representations to the Canadian department in this regard?

Mr. WELLS: Not to my knowledge, sir, no. You are speaking with respect to modifications required by the Ontario provisions?

Mr. DANFORTH: By the new regulations, yes.

Mr. WELLS: Dr. Hetherington, have we had any?

Dr. C. K. HETHERINGTON (*Director, Meat Inspection Division*): No, I am not aware of any, Mr. Chairman.

Mr. DANFORTH: May I ask one further question, Mr. Chairman, and then I will pass. In regard to the meat inspector I am aware that due to a tremendous sudden demand for meat inspection of all kinds that the provincial department and, I assume, the federal department were hard put to provide adequate inspectors. Now may I ask the qualifications of meat inspectors; do they have to have a veterinarian degree or are there some special provisions for a man that is proficient or used to the handling of meat to take a course in this regard? What are the qualifications now of meat inspectors?

Mr. WELLS: We have two classes of inspectors, Mr. Chairman. First of all, we have the veterinary officer and in each packing plant where there is slaughtering of animals we must have at least one or more veterinarian, depending upon the volume of the kill in the plant, in order that proper disposition can be made of disease conditions found on both ante-mortem and post mortem examination of each animal slaughtered.

The second class is the technician—what used to be known as the lay inspector whom we hire without any formal training; as a matter of fact we acquire people now with Grade 12 education and we train them on the job for the technician aspect of meat inspection or meat inspection assistance, as they used to be known as. We then have courses that we put on ourselves. Each summer we put on two six-week courses. In order that these technicians can become more proficient and gain promotion in the service in accordance with our needs they take these six-week courses each summer.

Mr. DANFORTH: I would take it then that these technicians would act under the direction of an accredited veterinarian?

Mr. WELLS: Yes, sir, that is correct.

Mr. DANFORTH: Are there any instances where they have to assume the full responsibility in small abattoirs or perhaps abattoirs which require inspection only to a very limited degree?

Mr. WELLS: Yes, they assume full responsibility only in meat processing plants where there is no slaughtering of animals and no decisions to be made with respect to disease conditions. The inspectors who have taken our six-week course and have qualified, of course, and are gradually promoted in the chain, can become an inspector in charge of a meat processing plant; that is a meat processing plant operating under the Canada Meat Inspection Act which buys meat only from slaughtering plants operating under the Canada Meat Inspection Act, and then takes those meats and processes them into other processed and cooked meats. Then it is a matter of maintaining the regulations from a sanitation point of view, from a quality point of view, from an ingredient point of view and our trained technicians, can and do that. In fact many of them are inspectors in charge of these processing plants.

Mr. DANFORTH: Dr. Wells, in these meat processing plants where such inspection takes place are these technicians capable of taking samples for bacteria checks and other technical aspects of it?

Mr. WELLS: Yes. They do not conduct the bacteria examination but oh, yes, they are capable and trained for that and, in fact, do take regularly samples of the meat products from the plants and these samples are then sent to one of the animal pathology laboratories where the actual examination is made.

Mr. DANFORTH: I have one last question, Mr. Chairman. I think Dr. Wells and the witnesses this morning are well aware of the problem we had, especially in Ontario, a few years ago. Is it your feeling that under the present regulations, both provincially and federally, it is now reasonable to assume that we could not have a repetition of what we had before?

Mr. WELLS: Just before I answer that I should have said, Mr. Danforth—Mr. Williams has just reminded me—that where we have processing plants with a technician in charge, of course, there is continuous or periodic supervision by a veterinarian officer.

Mr. DANFORTH: Yes, I appreciate that.

Mr. WELLS: Now, with respect to your other question, sir, I would think that the likelihood of actions on the rather broad scales which were uncovered a few years ago are reasonably unlikely to take place today.

Mr. DANFORTH: Thank you, Dr. Wells. I pass, Mr. Chairman.

Mr. RICARD: Dr. Wells, could you outline what is the role and the responsibility of the municipalities with regard to inspection of meat?

Mr. WELLS: Well, Mr. Ricard, the role of municipalities with regard to inspection of meat varies, of course, from province to province. In so far as the Canada Meat Inspection Act is concerned, the municipality has no involvement whatsoever. In some provinces meat inspection is left to the municipalities and in others, such as the province of Ontario and I believe now the province of Quebec, the municipality is gradually being phased out of meat inspection and it is those plants which do not operate under the Canada Meat Inspection Act that are coming under provincial regulations.

Mr. RICARD: Is it not possible with the new arrangement to give to the public a better grade of inspection, is it not?

Mr. WELLS: Yes, it is, sir.

Mr. RICARD: Thank you.

M. NOBLE: Mr. Chairman, since our last meeting I have had correspondence from a supplier of food for meat branches and I am advised that they were allowed to use condemned birds up until this restriction was put on. They are inquiring why they cannot use these condemned birds because they understand that they are only birds that die in the crates being shipped in to the processing plants, and I am wondering if Dr. Wells could enlighten us on this matter.

Mr. WELLS: It would depend, of course, Mr. Chairman, with respect to Mr. Noble's question, whether the birds were coming from a processing plant or a poultry plant operating under the provisions of the Canada Meat Inspection Act. All condemned animals, birds or material from any plant operating under the Canada Meat Inspection Act must be rendered and cooked to make it safe from a disease producing organism point of view before it can leave the plant. All condemned material is put into cookers under the supervision of an inspector to assure both ourselves and the public that absolutely no condemned meat leaves an inspected plant except in a condition which is safe. Now this also includes animals and birds which die en route to the packing plant. Now we under the Canada Meat Inspection Act certainly have never permitted the removal of any condemned material for the feeding of any livestock because this in fact might well and could well be perpetuating disease conditions which we are attempting to eliminate. Now if it were from a plant not under inspection then we would not know of sir.

Mr. NOBLE: Mr. Chairman, could I ask Dr. Wells this question. Have these restrictions been put on since the trouble was brought to the attention of the health authorities that horse meat was being processed and sold for human food? As you know, there was quite an investigation at that time. I am wondering if this food that was available to the ranchers previously is now being used in some other way, perhaps, as you say, cooked and sold possibly to the dog and cat food people. I do not know how they dispose of them.

Mr. WELLS: No, there has been no change in that respect under the regulations of the Canada Meat Inspection Act. Since the inception of the Act one of the early concepts of the Canada Meat Inspection Act in 1909 included the fact that no condemned material could leave the plant unless it had been previously cooked in some manner under supervision.

Mr. NOBLE: Well, Mr. Chairman, I am wondering how this food has been available to these people or these suppliers. I do not know when this restriction was put on that they would not allow them to take these whole birds away from the plant, but they did use them at one time.

Mr. WELLS: Yes. Well there were two things; it may not have been an inspected plant, Mr. Noble, and it might be, as Mr. Danforth has brought out, that the new Ontario meat inspection regulations had eliminated this source by virtue of requiring them to be cooked from plants which had been brought under the Ontario meat inspection system.

Mr. NOBLE: That could be the answer. Thank you.

Mr. FORBES: I have a supplementary question. Is it possible that these people could get these birds from the rendering plant before they were rendered?

Mr. WELLS: No, the meat inspection regulations provide that condemned material must either be cooked and rendered in the establishment in which they are uncovered or they can be moved to an approved renderer for rendering under supervision; but here again they are shipped under controlled conditions to any approved renderer and rendered there under supervision. In other words, our inspectors actually see condemned material in all cases go into the rendering tank.

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): Mr. Wells, I would assume that your meat inspection branch is taking all the necessary precautions with regard to the various foreign meats which will be brought in in 1967 for Expo purposes?

Mr. WELLS: Yes, Mr. Watson. The Canada Meat Inspection Act again provides, of course, that only meats can be brought into Canada from countries in which there is a national system of meat inspection in the country of origin and that national system of meat inspection is considered to be roughly equivalent to our own. Now the provisions of the Act and regulations in the foreign countries are examined and, where possible, the actual system is examined by an officer visiting the country, but this is not possible as often as we would like. So that in the first place, meats coming into the country

generally must only come from a country with a satisfactory national system of meat inspection. The second provision of control is that no uncooked meat—that is, no meat except those cooked, canned can come to this country from any country where foot and mouth disease, rinderpest or any of the serious epizootic diseases exist. Now with respect to Expo '67 some of the exhibiting countries are having national restaurants for which they need meats peculiar to their own nationalities for their restaurants. Under these circumstances we made arrangements with Expo '67 that some of these meats may be brought in under strict control, kept in refrigeration under our meat inspection control, moved to the restaurant under our control, and all refuse, meat scraps and garbage from Expo '67 will again be under the control of our officers at Expo '67 to ensure that they will all be delivered from Expo '67 directly to an incinerator and burned.

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): Thank you very much.

Mr. MACDONALD (*Prince*): Have you made any estimate as to what this will cost to give this additional seervice?

Mr. WELLS: To Expo '67? Well, you see it will be tied up, of course, with the general operation of Expo '67. As an example there are animals being exhibited at Expo '67 and because of the hundreds of thousands of foreign visitors to the Exposition we must maintain a veterinary officer on the site to make certain that the animals which are exhibited are well protected in so far as disease exposure is concerned. In addition to the veterinarian we will have technicians there operating under the veterinarian to control the removal and disposal of garbage and to be sure that it is incinerated.

Now this in itself is not a new venture, of course, because all foreign meats—in fact all meats coming in on foreign ships arriving in Canada, foreign aircraft arriving in Canada, are all disposed of; all the garbage from ships in all of the ports will be disposed of under supervision of our officers and incinerated; every foreign aircraft arriving in Canada, all unused meals and foreign meats that are ready for consumption are disposed of under supervision in order to prevent the introduction of disease. So the operation of Expo is merely an extension of a normal operation which we carry on on a day to day basis. As an example, when the trains with immigrants arrive in Fort Erie from New York, the baggage of all of these people is examined at Fort Erie, as it is at every other entry port of people from foreign lands, and foreign meats are removed from their baggage. One Saturday morning three weeks ago, there was 70 pounds of foreign meat removed from one group of immigrants coming in. Now these foreign meats, of course, are potential disease carriers. So the Expo operation is merely an extension of a day to day operation examining all people coming to Canada from countries where serious epizootic diseases exist to make sure that no foreign meats are in fact introduced into the country which could set up centres of disease.

Mr. MACDONALD (*Prince*): Are people notified in advance? For instance, these people who brought 70 pounds of meat in did they have notification in advance that they would be not permitted to do so?

Mr. WELLS: Yes; all prospective immigrants are advised in their country of origin through their immigration services that meats must not be brought to Canada.

Mr. MACDONALD (*Prince*): With respect to this Expo, it sounds to me like you are contemplating additional staff requirements with regard to this pretty extensive supervision.

Mr. WELLS: Yes, certainly; this is additional work and there is no question about that in itself. But, as I say, it is merely an extension to include Expo, of normal activity. Now, yes, it will require I would think probably five to six people on the Expo operation for the full six months.

The CHAIRMAN: Are there any further questions?

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): Will these men that you will be using for Expo be taken out of the field elsewhere?

Mr. WELLS: Well, Mr. Williams just reminded me that we do not have the full extent of the plans yet from Expo as to how many of the countries exhibiting in fact intend to have national restaurants. These people will be augmented from our normal staff and some additional, of course, will be brought on; and then following completion of Expo they will simply be absorbed back into the normal system. This is a continually expanding operation anyway because of the increase of feeding collected garbage to swine which, of course, again is all under supervision and licensed garbage feeders, again to assure against the introduction of disease.

Mr. SCHREYER: I have a supplementary, Dr. Wells. Did I understand you to say that the meat imported into the Expo site for use in these national restaurants, will be subjected to exactly the same kind of inspection procedure as normal imports?

Mr. WELLS: No. They are being given consideration because of the need to produce these national meats, but the extent to which this is going to be involved we are not yet aware; it is not likely to involve very many of the exhibitors.

The CHAIRMAN: Are there any further questions on meat inspection?

Mr. PETERS: I have a question arising out of this meat situation; the meats we have in delicatessens are not all Canadian meats, are they?

Mr. WELLS: Do you mean that are sold throughout Canada?

Mr. PETERS: Sold in delicatessens.

Mr. WELLS: Well those of them which are not Canadian meats are brought into this country either cooked, canned and from a country in which the meat inspection system has been approved.

Mr. PETERS: Well, some of it would be cured meat.

Mr. WELLS: The cured meats are not permitted entry unless they are cooked canned. You see the cooking and the canning is our assurance that the meat has been processed to the point that it will not introduce animal disease.

Mr. PETERS: Let us take Italian delicatessens where they bring in their own meat; are they not permitted to do this?

Mr. WELLS: No, they cannot. Dr. Hetherington can correct me if I am wrong—as a matter of fact I know it to be the case—but the so-called delicatessen group of meat cannot be brought to this country from Italy unless they have been cooked in a can.

Mr. PETERS: They are cheating, then, because they have stamps on them. The public are being hoodwinked then because we buy them as such.

Mr. WELLS: We would be interested in seeing some of the labels on these meats; it might well be that they are Italian style, which does not necessarily mean that they come from Italy.

Mr. PETERS: They sell them at a premium price, I think, and then people just assume that.

The CHAIRMAN: Well, I know that they have Polish sausage and all that it is practically all made in Canada. Pepperoni—and all that sort of thing you get here are made in some factory or meat processing plant in Canada.

Mr. DANFORTH: Mr. Chairman, I have one further question of more or less a general nature. I know that there is quite a bit of uneasiness generated in the country—in all countries, I think right now—over the fact that more and more chemicals are being used in more and more forms for the production of all types of crops. There is much concern over chemical residue in the soil. There is much concern over such new chemicals as are developed by atomic explosions. We hear of strontium 90 and radioactive fall-out; we hear of chemical residues in forage and various feeds that cattle are being subjected to and all sorts of livestock. I think there is no doubt in everyone's mind that this is not only going to be a continuing practice in countries going into intensive agriculture but it is going to be an ever increasing practice. Chemicals are more or less just in their infancy. Can you, Dr. Wells, or Mr. Williams, give this Committee any information as to what regard the Department of Agriculture has in this development and what methods are available to cope with this situation? Is it being left entirely to the food and drug directorate or what methods are being considered or evolved in this regard?

Why I ask this question, Mr. Chairman, is perhaps this is an area where the Committe can make very valuable recommendations to the government. If we have some basic knowledge as to what the department is capable of now and how serious this situation is, the Committee would have some basis then for working on this very particular and important problem.

Mr. S. B. WILLIAMS (*Assistant Deputy Minister, Production and Marketing, and Chairman of the Agricultural Stabilization Board*): I think there are two rather separate and distinct problems here. One is the chemicals that are used agriculturally for the production of crops or the production of animals. The second one, which is more germane to the subject with which we are dealing at the present moment, is the chemicals that are used as additives in the preservation or treatment or processing of meats and other foods.

In respect to the first problem, and I must generalize here, the department has responsibility for the registration of agricultural chemicals. In exercising this authority the department assures itself that (1), the chemical is safe if used

as directed, and (2), that it is efficacious, that it will do the job which is claimed for it. In other words, we do not insist that it is the best possible chemical for the job; this is not considered to be the department's function. If a manufacturer claims that it will kill so many mosquitoes per square foot as long as it kills that many mosquitoes per square foot we accept that as the claim. In exercising this authority two approaches are used: First of all we require the manufacturer to submit detailed evidence of actual work that has been conducted with this chemical in order to prove these two points. In addition to that the department both in its production and marketing branch and in its research branch conducts work both on the safety and the efficacy.

The safety aspects of it from the human standpoint are largely the responsibility of food and drug, and there the department works in very close co-operation with the food and drug directorate of the Department of National Health and Welfare.

In so far as chemical additives—used additives—if I could use that term loosely—used in food processing are concerned, various chemicals are screened on a joint responsibility basis by the health of animals branch and by the food and drug directorate of the Department of Health and Welfare. The responsibility in respect of human food for detecting whether there are residues in excess of tolerance in human food lies not with the Department of Agriculture but with the Department of Health and Welfare. The responsibility for determining whether there are residues in feed—that is to say animal feed—that might create residues in the final product in excess of tolerance lies with the Department of Agriculture.

Mr. DANFORTH: If I might, Mr. Chairman, with your permission, develop this theme a little further. In most instances in work of this nature it entails very delicate and fine laboratory analysis. Now we speak of the three different departments: food and drug, health and welfare and the Department of Agriculture. Are these three distinct laboratory establishments when you speak of testing?

Mr. WILLIAMS: They are distinct physically, yes, other than the one point, of course, that food and drug is a branch of the Department of Health and Welfare. In other words food and drug and health and welfare are synonymous so far as this is concerned.

Mr. DANFORTH: But in any particular area they would be three separate and distinct laboratories?

Mr. WILLIAMS: They would be three in all probability, but the third one, in all probability, would be a provincial one. There would be the Department of Agriculture, the Department of Health and Welfare, and provincial. Incidentally, some of the provincial ones are subsidized by the Department of Health and Welfare. In all cases these laboratories work in very close co-operation; they use referee samples and things of this nature to insure that the result they obtain across the piece are similar. Now I think that I must point out that there is a considerable difference between the method that is used to determine, we

will say, the content of some pesticide in, let us say, a forage crop, and the method that would be used in determining the butterfat of milk. So they do have a separate and distinct function in that they are quite different approaches to the actual determination of the chemical under study.

Mr. DANFORTH: Mr. Williams, in your explanation, which I wish to thank you for—and was quite detailed—there was one weakness that I detected which I am sure causes concern to members of the Committee. In the application of the chemicals, the weakness as I see it is in the statement "if used as directed". I think this is the field where we get into trouble. There are still individuals that feel that if one will kill two will kill twice as fast and twice as good. This is what bothers me. What protection has the consumer against this type of application of the chemical?

Mr. WILLIAMS: The protection lies in the operation of the food and drug directorate in that they are constantly sampling food supplies across this country. They sample them on a bulk basis to start with and if any residues which are beyond tolerances are detected they immediately start breaking down their sampling.

Mr. DANFORTH: Well is there some yardstick they use? Do they have definite ideas of all the chemicals that could cause damage to humans and do they run the whole gamut of tests when they take these bulk samplings, or detailed samplings? What is the procedure?

Mr. WILLIAMS: I am afraid I could not answer that question, Mr. Danforth, but my understanding is, and this is solely my understanding, that it would depend upon the history of the crop what chemical they were seeking. They would look for information as to what the person had done with his crop, or what was common practice to do with the crop, but I cannot answer that in detail, I am afraid.

Mr. SCHREYER: I think this is a fair question to put to Mr. Williams. Is it your considered opinion that the problem under discussion is one which is well in hand or is one with which the department has to strive mightily in order to provide a minimum of protection. I realize this is an area of assessment and judgment.

Mr. WILLIAMS: Once again I can only give my personal opinion on this matter. My personal opinion is that we do have to strive mightily but we are well ahead of the problem. We have to strive very hard to keep ahead of the problem and I do not believe, by any stretch of the imagination, that just minimum protection is being provided to the Canadian public.

The CHAIRMAN: Would you say, then, Mr. Williams, that the Canadian public is receiving probably the best protection in the history of human consumption than they ever did?

Mr. WILLIAMS: I am not too sure that their protection is any better than when everybody grew their own garden, ate their own vegetables and knew exactly what happened to them, but I would think that in general the protection that consumers receive in Canada is comparable to that received in any country in the world and a great deal better than many.

The CHAIRMAN: Mr. Moore has a supplementary and I bypassed him once.

Mr. MOORE (*Wetaskiwin*): I wonder if the Committee could have some information in respect to insect control on dairy cattle. This is a special problem and I understand it passes through the milk, Dr. Wells.

Mr. WELLS: Again, Mr. Moore, this comes under the Pest Control Product Act and all pest control products used on dairy cattle are, of course, cleared through the provisions of that act before they are permitted to be authorized for use. Again, if used in accordance with the directions there should be no residue.

Mr. MOORE (*Wetaskiwin*): Well the reason I asked this question was that I think most dairymen have had this experience; I know I have. Of course there are many different pests that need controlling, for instance heel flies, lice and so on, and it is almost impossible to find a product on the market today that will be guaranteed safe to use on dairy cattle. It is fine for beef cattle; they have many methods of control, but I have never yet been able to find a product that is effective and guaranteed to do the job the same as it will on beef cattle for the simple reason that it is assimilated into the milk almost immediately. That is what concerns me.

Mr. WILLIAMS: I think this is a problem on which I spoke earlier, the question of our people having to balance efficacy and safety, and here is a perfect example where the use of the most efficacious agent is not approved because of safety reasons. I understand, however, sir, that the major problem is not material that is metabolized by the animal and later excreted in the milk; it is incidental contamination, applied to the udder, happens to fall into milk lines, containers and things of that nature rather than systemic.

Mr. MOORE (*Wetaskiwin*): Well, to be specific is there any method outside of powder applications directly to the infected area to control warble flies?

Dr. JULIUS FRANK (*Acting Director, Animal Pathology Division*): Derris powder is one that you can use on dairy cattle. It is not as effective, of course, as the others, but there again, as Mr. Williams says, you have to balance the safety with the efficacy.

Mr. MOORE (*Wetaskiwin*): Is it in the form of a spray, Dr. Frank?

Mr. FRANK: No, it has to be scrubbed in, really.

Mr. MOORE (*Wetaskiwin*): At the proper period of the year?

Mr. FRANK: Yes.

Mr. MOORE (*Wetaskiwin*): And during the proper phase of development?

Mr. FRANK: The development of the grubs, yes.

Mr. PETERS: As Dr. Williams said, having one's own garden is the greatest safety factor.

The CHAIRMAN: He said in past history it was; he did not say it was today.

Mr. PETERS: We are importing a lot of garden produce in particular from the United States now and they always seem to be about six jumps ahead of us in developing new pesticides and insecticides, and even growth additives. What

is their technical advancement in terms of detection? Are they superior to ours? Do they use the same degree of restraint in inspection as we do?

Mr. WILLIAMS: I think I would have to say that the degree of control north and south of the border of agricultural chemicals is essentially parallel.

Mr. PETERS: I have a supplementary question along the line Mr. Moore was following. What are we doing in terms of protection against such simple things as penicillin in milk? Most farmers administer penicillin themselves and they do it fairly indiscriminately; it is a very cheap product and yet penicillin is a very fatal commodity for human consumption to a very limited number of people. How do we control the degree of this? This produces a great deal of residue; it is normally good for you but for some people it can be fatal. Is there a way that this can be labelled or protection provided for those that react acutely to penicillin or other drugs of that nature?

Mr. WELLS: Penicillin in the antibiotic field generally is used in dairy cattle of course for mastitis if it is existent in the herd and in these cases milk from mastitis infected udders would not be put into the general milk stream because the milk would be condemned from the visual examination of the mastitis milk.

The antibiotics are not used, of course, for mastitis except where there is evidence of the infection. Where they are used the requirement is that the milk shall not be put into the milk stream for 72 hours following use of the penicillin. Now this works in conjunction with, of course, cleaning up the milk itself.

Mr. PETERS: Does this show in the bacteria coli count?

Mr. WELLS: Yes. But it also shows physically in mastitis milk. No dairyman would put mastitis milk in because it would show when the milk was being examined in the dairy.

Mr. MOORE (*Wetaskiwin*): I have a supplementary on the same subject, Mr. Chairman. We are warned as milk shippers that we are subject to prosecution if any residue of antibiotic is found in the milk and, if mastitis milk was put on the street for human consumption this would raise your bacteria count, in some cases, abnormally high and, of course, this is something that every dairyman is fighting against all the time. As most members of the Committee know, there is no set date for taking samples for a bacteria count, and, therefore, a dairyman must at all times try to prevent his count rising. Is that not right?

Mr. WELLS: Yes.

Mr. MOORE (*Wetaskiwin*): So on both counts there is not much danger any more of getting too many antibiotics in milk because if they are found there, in the first place, you are warned by letter that you are subject to prosecution. This is something rather recent in our part of the country; I do not know how long it has been in operation in other parts.

Mr. PETERS: I have an additional supplementary question. I am thinking not only of this kind of milk but the immunized milk that is being used in the States and some of it is being brought into Canada from the states, and there may be some being produced now by some of the dairies. There are other

cultures being used on milk for specific purposes. Is it fairly simple in a lab to detect all these agents? It is a fairly complex problem for a general lab. It would take a fairly elaborate set-up to detect these.

The CHAIRMAN: I just wanted to point out one thing to the Committee. We are discussing meat inspection and we were discussing the possible effects of insecticides and so on in meat products. We seem to be on milk products at the present time and I would appreciate it very much if we stayed within our subject. Mr. MacDonald is next.

Mr. MACDONALD (*Prince*): Mr. Chairman, I would like to ask a question about earlier comments made with regard to not only the effect of insecticides and what have you on the health of animals but on plants as well. We have the problem that seems to recur from time to time of the supposed effect of atomic fall-out and this whole business of strontium 90 and what have you, and with recent atomic tests people become again more concerned with this. Who actually has the supervision or makes the tests with regard to the amount of fall-out that may occur, or its effects?

We are told of strontium 90 in the bone marrow and what have you. Is this the responsibility of your department or of the Department of Health and Welfare?

Mr. WILLIAMS: The responsibility is the radiology section of the Department of National Health and Welfare. However, departmental people co-operate very closely with these workers in the collection of samples. Health of animals people collect meat and bone samples; our dairy people collect dairy samples and meat samples are taken; all different kinds of samples are collected by different people in the department and are sent in a regular pattern of analysis of the problem right across the country at all times.

Mr. MACDONALD (*Prince*): Would the actual determination of the radiation factor in the meat of animals be determined not by your department but by the health and welfare people?

Mr. WILLIAMS: The actual laboratory determination is done by health and welfare.

The CHAIRMAN: Mr. Forbes, did you have a question?

Mr. FORBES: Yes. Have there been any instances where your department has required the withdrawal of a chemical or insecticide because it did not produce the results claimed by the manufacturer?

Mr. WILLIAMS: Do you mean has withdrawn registration?

Mr. FORBES: Have you ever requested the withdrawal of chemicals and so on from the market because they did not produce the results claimed by the manufacturer?

Mr. WILLIAMS: This would not be the procedure followed. The procedure followed would be that we would withdraw the registration and then the sale of it would become illegal.

Mr. HOPKINS: We have the situation today, Mr. Chairman, where subdivisions are moving out farther into the country and hence border the farming

areas. In one particular area I know of some of these subdivisions are centered near low-lying land, which involves swamps, creeks and pasture land for neighbouring cattle. Suppose these subdivisions were sprayed consistently, say, by a typha-type machine for mosquitoes; does this affect the health of the animals if the insecticide gets into the swamp, the water system and so on?

Mr. WILLIAMS: Dr. Wells informs me we have no record of this. I think there is a potential possibility of this happening. It would depend almost entirely upon the type of insecticide used. In general fogging machines use a short life type chemical, a knock down type chemical that has very little residual effect. This being the case the possibility of any buid-up of contamination in adjacent areas through that type of application is unlikely. The type of application that results in build-up is the type that is applied directly to the material in question and is applied because of a long life residue effect that it has in that it will carry over and kill insects for some time. In general this other type of application is not of that nature.

Mr. HOPKINS: This would be, say, a twice weekly spray in the area.

Mr. WILLIAMS: Without knowing the actual nature of the chemicals used I do not think I could answer the question. I would be glad, though, to have someone from the department look into the question and get in touch with you immediately to see whether or not there is a possibility of this happening with the particular chemicals in use.

Mr. MOORE (*Wetaskiwin*): In our area they spray the sloughs where the mosquito larvae is before the mosquitoes hatch; I am not too sure what is used but I have watched the spraying, even in my own pasture, and they spray the sloughs rather than any other area—not the pasture itself, and it has been very effective.

Mr. PETERS: Mr. Chairman, I would like to refer to a question this afternoon concerning strontium 90. The answer given was that the Department of Health and Welfare does the investigation. What is the method of reporting between the two departments which would result in the withdrawal of a product that is being contaminated? What machinery is there between the two departments for this purpose? In other words, if a sample comes in from the Department of Agriculture to the Department of Health and Welfare contaminated with either strontium 90 or whatever the chemical may be, what is the machinery for withdrawal to protect the public? Who does this policing?

Mr. WILLIAMS: In general it is a joint operation. The order, in all probability, will be issued by the Department of Health and Welfare placing the product under detention, but the order possibly might be executed by a Department of Agriculture official, if he was the one who had collected the sample, for example, and was the man right on the spot that knew the actual product or the segment of the product from which the sample was taken.

Mr. PETERS: Does this happen occasionally?

Mr. WILLIAMS: Yes. In the case, Mr. Peters, of the packing plants operating under the Canada Meat Inspection Act we are the enforcement agent and we

work very closely with them; whether we uncover the contamination or whether food and drug uncover the contamination in so far as the Canada Meat Inspection operation of packing plants operating under that act, we simply enforce it and the product would be condemned.

Mr. PETERS: Well is this operated closely enough to the end product to really supply that kind of control? Take for example, bone samples, and we will use strontium 90—it is not a good example but I am not too familiar with some of the others where chemical names are involved; if the tolerance were beyond the limit would you have control of the product soon enough to take it off the market, or would this be a restriction on additional sales from that area?

Mr. WILLIAMS: Well it would depend entirely upon the circumstances. Again, if the bone meal were being produced in a plant under inspection the probability is that we would have control of it soon enough.

Mr. PETERS: If it were commercial meat it probably would not. If the bone was from a meat animal it probably would not be.

Mr. WILLIAMS: Yes, if it were produced in a plant under the Canada Meat Inspection Act.

Mr. PETERS: Well, would it be a matter of days?

Mr. WILLIAMS: I think that I must make one point here, that there is a very large safety factor built into their tolerances.

Their tolerance, in general, says something like this: That if a person continued to inject this material for lengthy periods at levels above the tolerance he could be in trouble, so one or two samples not being intercepted would not in itself constitute a hazard. In other words the tolerance is set to make allowance for this factor. Of course, as Dr. Wells points out, in most diets there is a very great dilution factor as well; one seldom eats straight meat for any length of time or drinks straight milk—infants, of course do this but in general there is quite a dilution factor.

Mr. NOBLE: Mr. Chairman, I have a related question. We have been informed of all the precautions taken in respect of human tolerances of various adulterations. To your knowledge, Dr. Wells, has any product been ordered off the market because of their diverse effects detected by the researchers?

Mr. WELLS: I could answer part of that question at least. There certainly has been quite large quantities of different products from time to time ordered off the market or ordered destroyed because they contained various chemicals or one or more chemicals in amounts above tolerance.

Mr. NOBLE: I would like to follow that up with this question. How do you arrive at what is the tolerance level, especially when there is a possibility of an accumulation of such residue to a point of trouble over a period of time?

The CHAIRMAN: Well I take it, Mr. Noble, again this would be a food and drug responsibility so far as that goes.

Mr. WELLS: Well, as an example, and I think Mr. Noble is aware of the example, we had a situation not too long ago where our meat inspectors in one plant suspected by post mortem examination of a group of swine that they

had been fed diethylstilbestrol which was discussed fully the other day. In this case samples of the swine were held in the plant, samples were taken and the meat inspector's suspicion proved out to be true and, of course, the total group of swine involved were all condemned. This is the way the thing worked.

Mr. NOBLE: And what happens to the product in this case? Is the producer the loser or what happens here?

Mr. WILLIAMS: This would depend entirely upon the method of purchase. Under some methods of purchase—we are talking now in respect of live stock—the packer buys subject to condemnation. If it is bought subject to condemnation the producer is the loser; if he does not buy subject to condemnation the packer is the loser.

Mr. FORBES: Most packers have a way to compensate the producer for losses due to matters such as you mentioned.

Mr. WELLS: Not now, Mr. Forbes, there used to be that system of condemnation insurance for all animals slaughtered in most of the large centres throughout Canada, but this has disappeared.

Mr. FORBES: You mean this has been withdrawn? If so, how long ago, three or four years?

Mr. WELLS: Oh, I would think five or six years. It was withdrawn at the request of the producers themselves.

Mr. FORBES: I have one more short question if I may. I note on page 3 of your report here it says, that the demand for meat inspection services has been growing rapidly to the point that it is estimated 80 per cent of all meat and meat products produced in Canada are put under the Canada Meat Inspection Act. Now what about the other 20 per cent?

Mr. WELLS: Well, as I explained earlier, Mr. Forbes, the other 20 per cent are plants which do not operate on an interprovincial or export basis. In other words, their product is sold solely within one province and in this case then the provincial meat inspection system, in those provinces which have it, or in the case of Manitoba where we do it for them, would pick up these products. As an example, in the fiscal year 1963-64 we had 274 actual meat establisments operating under inspection. In 1964-65 this had raisen to 294 and in 1965-66 this number had risen to 327. Approved cold storages which are storages approved under the Canada Meat Inspection Act for the storage of meats in order to maintain our identity which has been produced under the Canada Meat Inspection Act have gone up from 152 in 1963-64 to 164 at the end of the fiscal year 1964-65 and up to 170 at the end of 1965-66. The approved inedible rendering plants, which we spoke of earlier, have risen from 10 in 1963-64 to 13 at the end of the 1964-65 fiscal year, and are not up to 17 at the end of 1965-66 fiscal year, and are continuing to go up. So that for the remainder of those meats which are sold within a province and not under jurisdiction of the Canada Meat Inspection Act, normally provincial meat inspection systems, where they have them, would pick them up.

The CHAIRMAN: Mr. Noble, are you through with your line of questioning?

Mr. NOBLE: The only thing that is bothering me is I am still worried about this stilbestrol business and, I believe, Mr. Chairman, that the subcommittee was to bring in some recommendation this morning, were they not? Do you have this recommendation?

The CHAIRMAN: No, we did not really meet yesterday and we did not arrange a meeting; but you can rest assured that we fully intend to bring in a report to the Committee in the very near future, as soon as we can arrange a meeting. I hope that is today.

Mr. NOBLE: Of course, this incident is related to the hogs, and this morning is another example that action should be taken. I do not think we should hesitate too long about doing something.

The CHAIRMAN: I hope that I did not intimate the other day that we would have the committee's report. I noticed the press reported that we were going to have a subcommittee report for today but my suggestion, as chairman, was that the subcommittee would bring in a report along with all the other recommendations that we hope to bring in for the Committee before we present our report back to the House. We have been doing quite a bit of work on this and I would hope that this will be satisfactory.

Mr. MCKINLEY: Mr. Chairman, I have often wondered in poultry processing plants, especially broiler plants, what the main reasons are what birds do not pass inspection and are condemned?

Dr. C. K. HETHERINGTON (*Director, Meat Inspection Division*): Well, Mr. Chairman, there are many reasons and possibly a dozen in all. We have tabulated possibly ten of the most common reasons for condemnation of chicken and fowl, turkeys and then in other poultry. As an example, what chicken and fowl there were 36,995 condemned for bruising. Emaciation is another one, and the percentage is 0.3. Imperfect bleeding .70; leukosis .5 per cent; pericarditis .03 per cent; peritonitis .04 per cent; septcicemia .2 per cent; tuberculosis .02 per cent, and then other causes 1.5 per cent. Those are the main causes, but not all of them by any means.

Mr. MCKINLEY: The ones that are condemned for leukosis, is this mostly skin leukosis?

Mr. HETHERINGTON: This would vary from area to area in Canada.

Mr. MCKINLEY: I am speaking of particular broilers?

Mr. HETHERINGTON: Yes, it still varies by area in respect to skin leukosis. You will get certain flocks with a high percentage of skin leukosis and then the other is the visceral form. There really is no set pattern in respect to skin leukosis; I wish there was because it would be easier for us.

Mr. MCKINLEY: What areas would you consider would be the worst in Canada?

Mr. HETHERINGTON: In respect to skin leukosis?

Mr. MCKINLEY: That is right.

Mr. HETHERINGTON: Well leukosis is most prevalent in Ontario and Quebec and it is now making its presence felt in British Columbia.

Mr. NOBLE: Mr. Hetherington, I did not get the figure of bruised birds there; what was the percentage?

Mr. HETHERINGTON: It is .03 per cent.

Mr. NOBLE: Of total slaughter.

Mr. WILLIAMS: This is not a percentage of combinations. This is of total slaughter.

Mr. NOBLE: I am wondering what percentage of condemned birds would be bruised birds.

Mr. WELLS: It is .03 as against the total kill and 1.2 per cent of the total condemnation.

Mr. MCKINLEY: Is there any restitution made to any of the producers because of any of these birds being condemned?

Mr. WELLS: This again, as Mr. Williams pointed out, is dependent entirely upon the purchase arrangements by the slaughtering plant.

Mr. MCKINLEY: Some of them allow up to 1 per cent and they absorb that loss themselves.

The CHAIRMAN: Are there any further questions on meat inspection?

Mr. MCKINLEY: What percentage of the plants, say in Canada, are under compulsory inspection?

Mr. WELLS: We would not have the exact figures, Mr. Chairman, of the percentage of poultry slaughtering plants which are under the Canada Meat Inspection Act, but poultry slaughtering plants generally are under inspection. Dr. Hetherington has just indicated that of the actual poultry slaughtered in Canada about 90 per cent of them are under the Canada Meat Inspection Act.

Mr. MCKINLEY: And is this because of their own desire to do so?

Mr. WILLIAMS: It is because either of their own desire or the fact that they must move their product on an interprovincial basis for economic reasons?

The CHAIRMAN: Are there any further questions on meat inspection.

Mr. NOBLE: I would like to ask one supplementary question. I am wondering if they have any figures on the number of birds that would be condemned because they were dead when they arrive at the plant? These are the ones I spoke of a while ago that could have been smothered in the shipment and the ones that we are interested in in our industry.

Mr. WELLS: I think, Mr. Chairman, we can get those figures, but we do not have them here. They are included amongst other causes condemnation in the general table.

The CHAIRMAN: But you could break it down?

Mr. WELLS: Yes, they could be broken down for the Committee.

Mr. MCKINLEY: These birds would not be examined to find out the particular cause?

Mr. WELLS: No, they are not subject to post mortem. In many cases it is suffocation.

Mr. NOBLE: Mr. Chairman, I would just like to make one further remark. In the meat industry we would like to use these bruised birds and these birds that are smothered. If there is any possibility of making them available it could amount to quite a few tons of feed.

The CHAIRMAN: Thank you, Mr. Noble. Are there no further questions on meat inspection? There have been a lot of questions asked pertaining to the animal pathology division. If anyone has any further questions on this now is the time.

Mr. MCKINLEY: I would just like to ask Dr. Wells how extensive their work is in trying to eradicate this leukosis complex; it is the biggest problem in the poultry industry today.

Mr. WELLS: May I ask Dr. Frank of the Animal Pathology Division, Mr. Chairman, to answer that question?

Mr. FRANK: We have several groups who do research on this condition. One group at Lethbridge is doing basic work which we feel is essential to make any progress in this disease because, as you know, many people have worked on this disease for many years and really there has been very little on a practical basis that could be applied. At the A.D.R.I. in Hull we have another group working on this disease who are working in co-operation with the geneticists at the research branch and they are trying to determine means of developing genetic resistance to this disease.

Now in addition, a group at the A.B.R.I. are working on means of developing serological tests for identifying the disease. In effect, I think we can say we have more people working on this group of diseases—and I say group of diseases because there is debate on whether leukosis is one disease or a number of diseases—than on any other disease. Now we have a few other projects. There are two projects in British Columbia which are being run in co-operation with the B. C. department. One is to determine how the disease is spread and another, along the same line, whether it is spread through the egg. So, in effect, we are doing a fair bit on leukosis.

Mr. MCKINLEY: How would you assess your headway in the last five years?

Mr. FRANK: Well in the basic part of the work I think we have made rather a good contribution at Lethbridge in that we have shown the aspect of disease, if I can go back, that they are working on at Lethbridge is a blood cancer type of leukosis known as erythroblastosis, and they have shown there the stage in the development of the blood cell where the virus is having an effect. This has been a contribution of the Lethbridge group. The group at A.D.R.I. have not progressed very far in their work; they only started about a year ago. But we think we have got to the stage where we have developed this so-called RIF test so that we could test birds to see if they have this type of virus in them.

Mr. MCKINLEY: At any time?

Mr. FRANK: Yes, whether they are carrying it. Leukosis is a very difficult problem and we do not expect to solve it in the next year or two.

Mr. MCKINLEY: Do you believe that there is any relationship between leukosis in poultry and cancer in people?

Mr. FRANK: Well, I would not say there is a relationship. Some of the forms of leukosis are a form of cancer. Now as you know cancer is no one thing; it is a great variety of diseases that are grouped together. Some of them have been shown to be caused by viruses, others are not; that is the best way I can answer that.

Mr. MCKINLEY: Now we know that many commercial breeding firms are working on this problem as well. Are you co-operating with these people in any research that you do that might be of use to them?

Mr. FRANK: We keep in close touch with them. The people working on leukosis are a fairly closely knit group and there was a meeting, for instance, in Atlanta, Georgia, just this past winter, and our people were down. We correspond with them and visit back and forth. We are not working directly with commercial organizations, to answer your question; we keep in touch with them.

Mr. MCKINLEY: You do not see in the immediate future any vaccine or anything other than breeding resistance?

Mr. FRANK: Breeding resistance is one and the other thing we have off in the distance is that we hope that perhaps with this RIF test people will be able to establish that this flock is clean and try to keep it clean. Now this is looking a little into the future, I admit, but this is one reason why we are doing this work.

Mr. MCKINLEY: With this test have they ever found flocks that are clean?

Mr. FRANK: Yes. There is one in Canada—not a commercial flock, these are experimental flocks—and you test the birds and remove the infected ones and try to establish a clean one. At first this is an experimental tool because to work with the disease you have to have birds that you know are free. I might mention that this is only for one type of leukosis and this is the difficulty in working. This is what we used to call lymphomatosis—the visceral lymphomatosis type.

Mr. MCKINLEY: Is this a blood test?

Mr. FRANK: Well, it is a blood test, yes; you test the chicken's blood but it is a test that is done in tissue culture, and this is the difficulty, working out the technique. Now I think we have made fair progress in this.

The CHAIRMAN: Are there any further questions on this subject?

Mr. WELLS: We did hold a meeting last year with the provincial poultry people and all other groups working on leukosis and we are hoping that we can arrange a meeting this fall, bringing all the industry and research workers on this disease together this fall in order to assess all that has been done, what has been accomplished and where we are going in order that we do not have duplication of efforts, and bring together all of the information we have to find out what can be applied to the industry.

Mr. FORBES: Would this leukosis develop in a flock of laying hens; if so, what are the symptoms of it?

Mr. FRANK: Well, there are various forms. One form that is hitting the broiler industry right now is what is known as marek's disease, and one of the symptoms is paralysis. In the old days we used to call it range paralysis; well this is part of the picture. In older birds, laying birds, the more common type, we usually find on going into the chicken house that the bird is dead; it is pale and has been bled out, and if you open it up it has a ruptured liver. What caused the ruptured liver is an enlargement of the liver, which weakens it, and the enlargement of the liver and the spleen is part of the picture of the visceral form of leukosis. Those are the two main ones; there is an eye type and there is a type that causes thickening of the legs, but you do not see that very often these days. We used to see it in the old days. Then there is the skin leukosis we were talking about.

Mr. MCKINLEY: It is by far the biggest problem that there is in the poultry industry today. I think we should proceed with all speed ahead to try to get some answer to it because it has got much worse in the last two or three years because of mass production as much as anything, I guess. Perhaps we should have some sort of recommendation along that line in our report.

The CHAIRMAN: I will take that as a special note, Mr. McKinley.

Are there any further questions on the animal pathology division? If not this finishes the discussion with the officials of the health of animals branch and we should carry Votes 40 and 45.

Items 40 and 45 agreed to.

The CHAIRMAN: Now I want to make it clear that there will be several recommendations from this Committee; we have made notations during the hearings here on things other than stilbestrol which the Committee will probably be making recommendations on and perhaps this will come before the whole Committee when the subcommittee's report is made. It will be made in camera before any other report is made back to the House. Of course, this does not mean very much if you followed the press last Thursday on what is held in camera and what is printed in the press. But, according to the rules the subcommittee's and steering committee's report must be discussed in camera.

Mr. PETERS: You have to be fairly clairvoyant.

The CHAIRMAN: What is one word you can use, I have others that are much more simple than that. Are you all in favour of this?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Now we have one other topic that has not been finished, namely the stabilization board.

Thank you Dr. Wells, Dr. Hetherington and Dr. Frank for your attendance and for the way you have answered these questions. I am sure that if the Committee, before submitting their report, feels there is something that should be clarified we can call on your good office and have you back here.

Mr. WELLS: With pleasure, sir.

The CHAIRMAN: Thank you. There are still two things; one is the Agricultural Stabilization Board and the other, the last one, is farm products. There

have been an awful lot of questions on the stabilization board and the one member who intimated that he wanted to ask questions told me he had to leave at 10.30 this morning for another meeting. Mr. Danforth wanted to ask questions under stabilization on poultry. I think he is under the impression and I had told him that we would meet again this afternoon if we did not finish this morning so probably that is why he felt we would not get that far. We could deal with the agricultural products board if there are any questions that anyone has under this; that is the last item on the statement for information of the standing committee on agriculture. If there are any other subjects that anyone would like to go into under stabilization other than the pricing of poultry products, that will be all right. And, if any member here has questions on poultry products, because the officials are here today, feel free to ask them. Mr. Williams has officials here who can answer these questions.

Mr. McKINLEY: I wonder if we could have explained the system of the pricing of eggs and how the egg prices that are printed in the paper every day come about. I think there are a great many people wondering how this price is established.

The CHAIRMAN: We have, Mr. McKinley and other members of the Committee, Mr. Frank Payne, Chief of the Merchandising section, who I think can answer this.

Mr. F. E. PAYNE (*Chief, Markets and Merchandising, Department of Agriculture*): Yes, sir. Through the past several decades eggs moved to the main markets of Winnipeg, Toronto and Montreal in carloads in loose form and they were traded there on what was known as the spot price. This was the loose market price and the buyers and sellers got together on the price of these eggs.

In recent years the situation has developed where the wholesalers have been contracting their supplies on a carton basis directly from the grading stations, so a situation became evident back in about 1962, or a little prior to that, where the eggs were being sold in these areas but not actually being traded. You must get my point here: the eggs were coming in; they were being priced on the basis of the spot price; people were buying eggs directly from people in the country but these eggs were never actually going on the market and being traded at all. So we did a lot of work and survey in this area to determine some method of being able to report prices on a more satisfactory measure. It even got to the point at one stage, in the city of Toronto, where the sale of 200 cases of eggs, distressed eggs, on that market brought the whole market down four to five cents. This was the problem. So after a two-year study in this area we developed a price reporting system known as the wholesale to retail average carton price. Now we instigated this reporting system in Toronto in August of 1963. Subsequently we started using it in Montreal on February 28, 1966, and it has been used in Winnipeg since January 1 of this year.

Now the way this price is arrived at is that every day in these major markets the wholesalers of eggs report to our office in Toronto, Montreal and Winnipeg; they report the number of cases they have sold of the carton eggs and the price they sold them at.

Mr. McKINLEY: This is going from the wholesaler to the retailer?

Mr. PAYNE: That is correct.

Mr. McKINLEY: The price you are after is what the wholesaler sells them for?

Mr. PAYNE: That is right. Now each day they report to our office how many cases of eggs are sold, at what price and the various grade categories. Each dealer may sell at four different prices to different organizations; they may be small stores or big stores and they perhaps have a different deal. He reports each of these and we take his weighted average price for the day, and then we take the average of all dealers within that marketing area and this is the price that we report each day to the news media.

Now all other eggs then find their relative position below this. It does not really matter where you report a price in the structure—at the producer level, the spot level or the wholesale level, the rest of the egg industry takes their related price structure below that. This is the way the system works.

Mr. McKINLEY: Well, Mr. Chairman, you have the cartoned egg market and that is what you explained. Now do you still have the loose egg market as a separate pricing system, which could get all out of line, or is what you have just said that the loose egg market is now going by the cartoned egg market at such a lower percentage.

Mr. PAYNE: Well this depends. The loose egg market, what there is left of it, finds its own level because in many cases they are eggs without a home and this varies the surplus and the price of the eggs goes down and they have to go to breaking plants or what have you; they have to find whatever home they can, and the level between the cartoned egg and the spot market varies tremendously. We do not report a spot market price. Now we did, for a while; in Toronto we reported both, and we found that what happened was that the wholesale market just followed the stock market so that it did not have any stabilizing effect whatsoever; it went up and down like this. Any given day a few hundred cases of eggs could break the whole market and down it came. So we discontinued reporting the spot market and we just reported the carton market. Now the loose eggs find their home at whatever value they can find at any particular time.

Mr. McKINLEY: Then how is a person that is selling on the loose egg market, which is a big per cent of the smaller producers, to know what price they should be receiving for their eggs?

Mr. PAYNE: There is always a market and the trade themselves are reporting what they will pay on any given day on the spot market.

Mr. McKINLEY: How long is it since you stopped publishing the spot market?

Mr. PAYNE: In Toronto since the first of 1964, roughly two years.

Mr. McKINLEY: Up until a short time ago, I think, the Montreal price reported was the spot market, was it not?

Mr. PAYNE: That is correct, up to the first of March. February 28 we started in Montreal.

Mr. McKINLEY: It shows how fast you can get out of touch with things down here.

Mr. PAYNE: Now, if I may add one more comment, there has been, on the over all, tremendous producer satisfaction with this, because it has eliminated a great deal of the rapid fluctuation in these prices in the major markets. You do not get this tremendously quick drop. There were times in the Toronto market previous to this when the spot market came down so fast that actually on a given day it was the same as the producer price. Of course the next day the producer price skimmed away out from under. Today we do not get this rapid up and down; you get a wholesale price here and a producer price like this, more or less a levelling out situation.

Mr. FORBES: Is there much interprovincial trade in eggs?

Mr. PAYNE: Yes, there is considerable trade in eggs interprovincially. The Montreal market is a deficiency market; it is fed from western Ontario and the Maritimes and some from the Red River Valley out of Winnipeg. At the same time there are western eggs at some particular period coming into Toronto; Manitoba feeds northern Ontario to a great degree and, incidentally, in the last year or two Manitoba has been feeding Saskatchewan, which has been deficient in table eggs.

Mr. FORBES: I understood that this last few years people are demanding a quality product. Eggs are something that get stale fairly rapidly and that Montreal and Toronto objected to eggs being shipped down there from Winnipeg. At one time, as you know, Manitoba was a very high surplus egg producing province. I should say as a result of the encouragement of the government, and then we got into trouble over prices. So I was just wondering if this was right, that eastern people objected to any surplus eggs coming on to their market because it would have the effect that you mentioned a few minutes ago, the market would fluctuate as a result.

Mr. PAYNE: Well, Montreal needs them. Quebec does not produce enough eggs; they need them. Today they put fresh eggs out of Winnipeg onto the Montreal market within 48 hours, with the rapid refrigerated truck transit.

Mr. FORBES: By truck?

Mr. PAYNE: Yes, sir, all by truck.

(*Translation*)

Mr. MATTE: That the Stabilization Board may cause prices to drop or rise as the case may be?

(*English*)

Mr. WILLIAMS: No, sir. I would say that the stabilization board has no influence on the actual price paid unless one takes an extremely long term view and takes the position that the stabilizing effect of the board acting as a government agent and paying money to egg producers in years of long supply and short prices tends to maintain egg supplies and thus indirectly affect prices. But there is no direct effect.

(*Translation*)

Mr. MATTE: Do you not think that the Prices Stabilization Board could act to raise the prices of certain farm products? Could the Board help to nudge the prices of some products upwards? Is there a chance of that?

(*English*)

Mr. WILLIAMS: The Agricultural Stabilization Board in general does not influence the market price. It influences the final returns to producers by supplementing producer returns from the market by direct payments, by deficiency payments, or by some other similar means; that is to say, the three methods that are available to the stabilization board, the third one is a direct payment of a fixed amount but it does not, in general, affect market prices.

I think I would have to say, however, there are minor exceptions to that. Under the current dairy support program the purchase price that the agricultural products board is purchasing skim milk powder at affects producers' returns and it affects the price.

Mr. MOORE (*Wetaskiwin*): I wonder if you would have any figure indicating the present cost of production for a dozen eggs; what is the estimated cost of production for a dozen eggs? Of course this might vary in different parts of Canada.

Mr. WILLIAMS: I think that this is an area, sir, that we are unable to give average figures on. The studies that have been conducted on cost of production always show that there are such wide ranges that the average per se is meaningless.

Mr. MOORE (*Wetaskiwin*): Oh, I understand that the price is not related to the cost of production at any time, is it?

Mr. WILLIAMS: The price on the market in general is not of necessity related to the cost of production. If you are talking about eggs that is correct, yes.

Mr. MCKINLEY: Does the stabilization board have the authority to buy eggs and subsidize them for export in a period of low prices?

Mr. WILLIAMS: At the present moment the stabilization board does not have that authority unless the price were to go down to the mandatory level, which is 80 per cent. If they went down to 80 per cent the board has the authority under the Act, without any further authority, to take whatever action it sees fit in order to support the level of eggs at 80 per cent of the base price or ten-year average. However, our support price is above that so, for the board to purchase eggs at the present time for any purpose whatsoever would require order in council authority over and above the existing legislative authority that the board possesses.

Mr. FORBES: Did you establish this 80 per cent on a regional basis?

Mr. WILLIAMS: No, sir, on a national basis.

Mr. FORBES: What is the floor price on eggs now?

Mr. WILLIAMS: The support level on eggs, which is not a floor price in the accepted sense of the word, although I appreciate that the terms are sometimes

used interchangeably, at the present time is 34 cents a dozen for Grade A large, and the maximum entitlement of any one producer for assistance or for subsidy payments is 4,000 dozen Grade A extra large, large and medium. There is a supplemental support level of 31 cents a dozen for his next 6,000 dozen production.

Mr. MOORE (*Westaskiwin*): If the cost of production cannot be easily determined and it varies from one sector of the country to the other, how can we as an agricultural committee do anything about a fair price for the producer? It leaves us in a position that we do not seem to know where we are.

Mr. WILLIAMS: I can assure you, sir, that this is a problem with which the Agricultural Stabilization Board wrestles on a day to day basis. I think that the Agricultural Stabilization Board takes cognizance of changes in cost of production. In other words, data is available as to increased costs of equipment, changes in feed prices, changes in labour, the various inputs going into it. One has to then make one other assumption, that these changes should or should not be reflected in a support price, and each of these has to be dealt with individually. By "each" I am talking about each type of product with which the board is dealing. I think all this must be equated with one other factor, whether or not the price support provided is such as to bring on production that will in effect depress prices at some subsequent time to such an extent as to render the program completely ineffective.

Mr. MOORE (*Wetaskiwin*): Yes, I realize this is always a danger with subsidization. To have over-production subsidized naturally you are going to get more over-production.

Mr. PETERS: Could I ask a supplementary question on this? Is there anything in surplus? Does the stabilization board hold any product now?

Mr. WILLIAMS: At the present time, yes. We hold two products right at the present moment, skim milk powder and butter. The butter is our normal operation: I think one would find it difficult to say that this is surplus or not surplus at the present time. The outlook is that it will not be surplus, that we will require it for sale within this country during the coming season of short production. The skim milk powder is, I should think I could say, categorically in surplus supply.

Mr. PETERS: There appears to be a forecast of butter shortage and probably importation this year. I have seen it in some of the farm periodicals. What effect is the $3.25 manufactured milk price going to have on skim milk powder? Is it not inevitable that the higher price being paid for manufactured milk will make your skim milk powder an attractive product to hold? In other words, the futures of skim milk powder are going to be higher than the current price.

Mr. WILLIAMS: Well, I think the situation is that the price of skim milk powder is not set within Canada. This is a world commodity that is traded very widely throughout the world and irrespective of what the Canadian supply position is our supplies are relatively minor in terms of world supplies and thus the price is not set by Canadian supplies—that is the export price is not. The

internal price is set in Canada for powder by the board's purchase policies that I mentioned a moment ago.

Mr. MOORE (*Wetaskiwin*): Mr. Williams, the price of milk per hundred pounds as used for the manufacture of skim milk powder is not $3.25—that is, not to my knowledge and definitely not in our area; it is $2.69 for 3.5 milk, so that when you add the 75 cents subsidy on it the realized price is $3.44. Is that not correct?

Mr. WILLIAMS: I cannot answer categorically for your area.

Mr. MOORE (*Wetaskiwin*): I have the proof in my pocket, my last milk cheque. The price received was $2.64 but I am adding on a nickel for the extra percentage point of butterfat, the price you would receive for 3.5 milk, and that is $2.69; and when you add 75 cents to that you get $3.44, and this is what the producers are receiving at this time in Alberta. I have it in my pocket if you want to see it.

Mr. WILLIAMS: In Alberta?

Mr. MOORE (*Wetaskiwin*): Yes, in Alberta, which is part of Canada too.

Mr. WILLIAMS: Well, if I could say one word on this point that has been raised. The board's policy has been to provide through export assistance and through direct purchase a condition whereby butter and powder or milk used for the production of butter and powders can bring $3.25. The law, the provincial legislation in Ontario, has set the price at $3.25, and milk used for this purpose in the province of Ontario is paid for at $3.25.

Mr. MOORE (*Wetaskiwin*): I realize this, sir, and that is why I brought this point to the attention of the Committee.

Mr. WILLIAMS: I think that there is one point here, of course, and I am not aware of the particular case that you are raising, is the ability of the particular plant in question to use all of the milk that it receives at certain times of the year for the actual manufacture of powder. For example, there has been an order passed in some places at least that I know of where, because the excesses being provided at this time of the year, the surpluses being shipped at this time of the year, plant facilities are not enough to handle all of the skim milk for drying purposes and some of the skim milk has not been used to best advantage. In such cases, of course, the plant has been authorized by the provincial people, not by the federal people, to pay less for the milk.

The CHAIRMAN: One thing I would like to ask, Mr. Moore. Are the trucking charges and that taken off that $2.69 before?

Mr. MOORE (*Wetaskiwin*): No, because for hauling on this same cheque $18.28 is a separate item, so it has not been taken off.

Now while we are on this subject I realize that a co-op pays less; I believe it is one cent a pound butterfat less than, say a private corporation, for the simple reason that a Christmas bonus is given. Maybe I am stating that too simply, but at any rate the price on this cream cheque is 58 cents per pound butterfat, and I imagine that in another market the producer would receive 59 cents. Is that correct?

Mr. WILLIAMS: The price of butterfat is associated, I think everyone appreciates, with many factors not the least of which is the competitive position of the shipper. If he has several people who wish to obtain his butterfat he is, in all probability, going to get a little bit more for it. The prices that I have seen myself have ranged from 56 cents to 62 cents being paid for butterfat in Canada at the present time.

Mr. MOORE (*Wetaskiwin*): The price on this cheque is 58 cents and this is the reason I would say it would be 59 that goes to the competitor that is not a pool or a co-op, in other words.

The CHAIRMAN: No, I just want to clarify that, Mr. Moore. I do not think this is a general practice with co-ops all across Canada. It must be just what that local co-op decides to do.

Mr. MOORE (*Wetaskiwin*): Well this an Alberta Co-op which has a monopoly on practically the whole milk market in Alberta. But at any rate, to go a little further, this is the realized price of $2.81½ per 100 pounds of milk figured on a 3.5 fixed butterfat basis. This is for the information of the Committee.

The CHAIRMAN: Thank you, Mr. Moore.

Mr. PETERS: This is a problem I think that we had better investigate. The price of butterfat in some areas runs as high as 93 cents to get it up to the level of $3.25. In my area it is running anywhere from 76 cents to $2.93. I may be wrong because I do not really understand all the operations of the dairy manufacturing field. Some of our milk is going to the province of Quebec and there you have an extra 25 cents a hundred subsidy from the provincial government on milk for manufacturing purposes, so there is quite a confusion and that is actually what it amounts to. The problems that we are facing from the stabilization board is the amount that the farmers get, which obviously varies from province to province, and the fact that we have to set a national price for manufactured milk products such as skim milk and butter. Is there not going to be a dangerous disadvantage to the province of—

Mr. MOORE (*Wetaskiwin*): Let us say Alberta.

Mr. PETERS: Yes, Alberta is a good example, where the surplus will obviously be built up in $2.81 against an Ontario producer at $3.25, where the subsidy is being paid on a flat basis, on a national basis, taking into consideration the export market. The farmers in one part of Canada are not getting the same amount of money as other farmers in terms of the operation that they are dealing with. In other words, the manufacturer in Alberta has got a hell of a big advantage over the manufacturer in the province of Ontario in skim milk powder. I believe that to be fair so far as eggs are concerned, eggs selling for 15 cents a dozen in western Canada may be at a great advantage over subsidized egg production in Ontario. The price of feed is obviously the factor in this case.

What do we do and what kind of a program are we developing that will equalize this, because it seems fairly ridiculous to provide a subsidy in one area

when that subsidy is not equalized in the other areas of Canada. There must be a difference because this butterfat is a purchaseable commodity under the stabilization board, and yet it varies, so far as the farmer is concerned, very greatly from one area to another.

Mr. MOORE (*Wetaskiwin*): Even worse, Mr. Peters, than you think, because the price I quoted at $2.81½ per 100 pounds was after the 75 cents subsidy had been added. The actual price without the sudsidy is $2.06½ per 100 pounds received for the milk and sold as cream at 59 cents. I use 59 because I realize actually when you get 58 cents you get a cent back at Christmas time.

Mr. PETERS: Obviously the dairies must be making more money in one place than the other, because they do not seem to be passing it on to the farmer. The nationalized program indicates there is a stabilized price for selling or for purchase, in this case, from the manufacturer, the manufacturer in one area is paying a different price to his producers and therefore, there is a great disparity, in some cases more than a dollar.

Mr. WILLIAMS: May I give one brief word of explanation. Before I do that, in order to clarify the record, I quoted butterfat prices. The range of butterfat prices I quoted was for butterfat delivered as cream. Mr. Peters quoted somewhat higher prices; his prices, I am presuming, are based on butterfat delivered as milk; in other words the skim milk value is counted in that butterfat price, and this depends upon what province you are in and the method of pricing it.

Mr. PETERS: About $1.05 of that is skim milk value.

Mr. WILLIAMS: Something of that nature.

Mr. PETERS: Which at certain periods of the year may be true and at other periods of the year, in varying degrees on farms, is not worth $1.05; in fact it is not worth anything in some cases.

Mr. WILLIAMS: But the problem that has been raised is one that is certainly known and recognized and the Minister, when he announced the dairy policy this spring, did recognize this problem. The difficulty stems from the question of jurisdiction. The federal government does not have authority to set the prices that processors pay to producers for the milk they receive. This is entirely a matter of provincial responsibility. In some provinces the provinces have set the paying prices; in other provinces boards have taken this action or related action. But it is a matter that is recognized as a problem and there is no doubt about that whatsover, but it is not one than can be solved under federal jurisdicion. It is hoped however, and the question was asked as to what steps are being taken, that this is one area which the Canadian Dairy Commission—the legislation for which just very recently passed the House and is now, I believe, before the Senate—will be able to study. In announcing this legislation the Minister emphasized very strongly that one of their main functions would be co-ordinating provincial action in this area.

Mr. MOORE (*Wetaskiwin*): What policy is it, sir?

Mr. WILLIAMS: Might I suggest that where this milk is put out—that is, the area in which the statement originated—the cost of production, I would say, is much greater from my own experience than it is in an area, say, where Mr. Peters suggested. Our term of pasture would average three to four months, and it is not all good—I mean there are only possibly two months when the pasture is good; the other two would be hit and miss and you just hope to get four months' pasture. The rest of the time the cattle are fed completely in the barn with high priced feed, and this is in an area where we do not average four tons of hay to the acre—we are lucky to get one—and where grain prices, even though grain is produced there, are pretty high.

The CHAIRMAN: Your land prices would be cheaper there.

Mr. MOORE (*Wetaskiwin*): The land prices, I think, are actually higher than they are here.

The CHAIRMAN: Not in Ontario.

Mr. MOORE (*Wetaskiwin*): In this particular area where this actual milk was produced it is at least $200 an acre.

The CHAIRMAN: But that must have a real estate value on it?

Mr. MOORE (*Wetaskiwin*): No, it is a farm value.

Mr. PETERS: Well, Mr. Chairman, the problem, it seems to me, is that we cannot interfere with provincial jurisdiction in the establishment of the base price, but in establishing what a national average should be for stabilization price purposes, which is really the floor purchase price, which quite often becomes the whole price, whatever the price may be. We are buying milk powder not really on a national average any more, we are buying it on the average of a $4 milk product when $4 is not the price on the national average. We established federally that the floor price should be $4; we have also established that we will buy it at a certain price. If a province goes away below that then it is not the farmer that gets the advantage of it nor is it the government that gets any advantage out of it; it is the manufacturer in that particular field that is producing a very low cost product and selling it at a price that will fit into the $4 manufactured milk price. If we are going to work it on the basis of subsidizing actually then we are going to have to break it down to subsidize it on a provincial basis, taking into consideration the base price of milk in a particular province; otherwise we are subsidizing the manufacturers of that product in the low provinces.

Mr. MOORE (*Wetaskiwin*): I would like to point out that in the dairy policy there is a little paragraph there—I have not memorized it; perhaps I should have, and I do not have it with me—that says "a producer of manufactured milk". I take this to be butterfat, skim milk powder and so on, I do not have it with me but I phoned home last night for a statement, say, for condensed milk,

milk shipped to a condenser, say, the Carnation plant. I just want to bring this to your attention and ask if anything can be done about it here and now. The purpose of this dairy policy was to insure that producers received $4 per hundredweight for manufactured milk. Is this not correct? This is what the dairy policy says and I have cited two instances and I have added the 75 cents per hundredweight subsidy over these prices and come up with $3.44 and $2.81½, and that is my whole point.

The CHAIRMAN: Thank you. I think that we will adjourn now until 3.30 this afternoon, and we will meet in this same room. We will continue on with this subject this afternoon.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 24

Respecting

Estimates (1966-67) of the Department of Agriculture

THURSDAY, JULY 7, 1966

WITNESSES:

From the Department of Agriculture: Mr. S. B. Williams, Assistant Deputy Minister, Production and Marketing Branch and Chairman of the Agricultural Stabilization Board; Mr. Frank Payne, Chief, Merchandising Section, Poultry Division.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24797—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Crossman,
Mr. Danforth,
Mr. Éthier,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Herridge,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*),
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. MacDonald (*Prince*),
Mr. Matte,
Mr. McKinley,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Hutingdon-Laprairie*),
Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, July 7, 1966
(31)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 9.57 o'clock a.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Beer, Choquette, Comtois, Danforth, Éthier, Faulkner, Forbes, Gauthier, Godin, Jorgenson, Laverdière, MacDonald (*Prince*), Matte, McKinley, Moore (*Wetaskiwin*), Neveu, Olson, Peters, Pugh, Ricard, Roxburgh, Schreyer, Tucker, Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan, Yanakis (27).

In attendance: From the Department of Agriculture: Mr. S. B. Williams, Assistant Deputy Minister, Production and Marketing Branch and Chairman of the Agricultural Stabilization Board; Mr. Frank Payne, Chief, Merchandising Section, Poultry Division; and Mr. J. S. Parker, Director General, Departmental Administration.

The Committee resumed consideration of the estimates of the Department of Agriculture for the 1966-67 fiscal year, item 15.

Mr. Williams, from the Department of Agriculture, answered some questions posed of the Departmental officials on July 5, 1966, by Mr. Noble, M.P., Mr. Williams later answered a question asked by Mr. Schreyer, M.P., on June 28, 1966. The Committee then resumed questioning the Departmental officials.

Later the Chairman excused Mr. Williams from the meeting so that he could attend a special meeting.

Mr. Asselin (*Richmond-Wolfe*) informed the Committee that he would like to have the Chairman put the question on the remaining items of the estimates. Mr. Danforth pointed out that he had more questions to ask and after further discussion Mr. Asselin withdrew his suggestion.

On motion of Mr. Asselin (*Richmond-Wolfe*), seconded by Mr. Choquette,

Agreed,—That the statement prepared by officials of the Department on the *Supervision of Pari-Mutual Systems of Betting at Race Courses* be printed as an appendix to the Minutes and Proceedings of this day (*See Appendix I*).

At 12.05 o'clock p.m., the Chairman adjourned the Committee to the Call of the Chair.

Michael B. Kirby,
Clerk of the Committee.

24797—1½

MINUTES OF PROCEEDINGS

EVIDENCE

(*Recorded by Electronic Apparatus*)

THURSDAY, July 7, 1966.

• 9.50 a.m.

The CHAIRMAN: Gentlemen, I see a quorum. We have Mr. Williams, the Assistant Deputy Minister, Mr. Payne, Director of Merchandising, Poultry Division and Mr. Parker, Director General, Departmental Administration. We are open for questions.

Mr. S. B. WILLIAMS (*Assistant Deputy Minister, Production and Marketing*): Mr. Chairman, before the questioning starts, I have the answers to two questions which were asked at the previous meeting, which possibly might be entered on the record at this point.

A question was asked by Mr. Noble concerning the percentage of birds found dead in plants operating under the Canada Inspection Act on initial inspection. Including both turkeys and chickens for the past two years the percentage has been identical, namely .37 per cent of the total kill.

The other question was asked by Mr. Schreyer concerning Charolais cattle in which he asked whether the department owned any cattle, where they were acquired from, the number and the approximate purchase price. The only bulls of Charolais breeding owned by the department are owned by the Prairie Farm Rehabilitation Administration, which at the present time own 53 part-Charolais bulls. Of these, 39 are in Saskatchewan and 14 are in Manitoba. About 75 per cent of these were bought at public auction and the purchase price averaged about $440 each. These bulls are registered or recorded but the degree of purity varies from three-quarters to 15-16ths.

Mr. MCKINLEY: Mr. Williams, one thing that worries me in our district is that butter stocks are going down. Is this right?

Mr. WILLIAMS: At the present time our butter stocks are increasing.

Mr. MCKINLEY: They are increasing?

Mr. WILLIAMS: That is correct, yes.

Mr. MCKINLEY: Is surplus milk powder increasing?

Mr. WILLIAMS: Yes, we are purchasing skim milk powder on a continuous basis at the present time.

Mr. MCKINLEY: It was mentioned, I believe, the other day that Canada might have to import butter at some time in the future. Was this not mentioned?

Mr. WILLIAMS: Yes, this was mentioned.

Mr. MCKINLEY: Well, there are two large creameries up in Huron county. Both, in the month of April, lost 30 customers that were entirely cream

shippers. Now these creameries do nothing else but make butter. They do not make skim milk powder at all. These cream producers feel that they are being discriminated against because of the policy. I cannot see the sense of bringing up the surplus of skim milk powder when we already have plenty of it, when these customers could be putting their cream all into butter. Now there are two different ways that this one creamery man has it figured out, and he comes back with a net return to the producer in each case of $3.24. Another quite definite question which came up, when getting the registration numbers at the time these producers registered, was the fact the cream producers are only being paid every three months instead of every month. Can you tell me how soon they will be changed over to every month, the same as the milk shippers to be paid the subsidy.

Mr. WILLIAMS: I cannot answer that question directly other than to say we, in the Stabilization Board, are working on it but I think you appreciate we have not as yet had one complete cheque cycle issued to cream shippers. We have, essentially, done that now for the manufacturing milk shippers but neither the full milk shippers nor the cream shippers have as yet received their first cheque. Until we have gone through a complete cycle it would be impossible to predict whether it would be feasible to switch over and, if so, when it would be feasible to switch over to a more frequent method of payment. One problem here, of course, which one must appreciate is that there are a very large number of cream shippers who ship very small amounts. A monthly payment to some of these people could result in sending out cheques for very small amounts.

Mr. MCKINLEY: But it is anticipated that in the future they will be sent out monthly?

Mr. WILLIAMS: That is our hope, yes.

Mr. MCKINLEY: Instead of quarterly?

Mr. WILLIAMS: That is our hope.

Mr. MCKINLEY: This is one small thing but, as you say, there are a lot of small producers of cream. It has been bothering them a bit.

Now, is there any possible way that their returns could be increased to match the returns that milk shippers get, because they do not feel they are getting the same deal that milk shippers are getting, and the records prove they are all going out of cream. They are either turning to milk or turning the calves on them.

Mr. WILLIAMS: Well, the question was asked whether there is any possible way. I think my answer would have to be that under the current policy there is no possible way.

Mr. MCKINLEY: Is there anticipation within the department that this situation might be corrected or could be corrected?

Mr. WILLIAMS: I would not think I could answer that. That would be a matter for government decision. The policy has been set by the government and it would be their decision as to whether or not there could be a change. The question was raised about the validity of accumulating surplus skim milk

powder through cream shippers switching from cream to milk manufacturing. I think one has to say this in respect of that, namely, that at the present time we have a 3 cents export subsidy on powder. That means that for each pound of powder moved into export we are paying 3 cents. We are moving probably something around 40 per cent maybe. It depends on our total production picture. This means that for every pound of powder produced it costs, on the average, one cent to export it. So, if the program were to be switched and an incentive placed on cream shippers to keep their skim milk at home on a straight cost basis it would be something in the nature of 8 cents a hundred on milk. Eight cents a hundred on milk is equivalent to one cent a pound on skim milk powder.

Mr. McKINLEY: I am not so particularly worried about that end of it. What I am worried about is two large creameries with a number of employees that, if this thing keeps on, are going to be closing their doors. Now, do you agree that this should happen because of government policy

Mr. WILLIAMS: I am not sure I would say myself that it was happening because of government policy; I think it is happening despite government policy. This trend has been in existence. The amount of butter made from shipped cream or, at least, the percentage of butter made from shipped cream has decreased somewhere between 4 and 6 per cent annually and this has been brought on of course by an increase to all prices in the solids non fat portion of the milk.

Mr. McKINLEY: Well it certainly has speeded up since the last policy was announced. I just want to make sure that the department is aware of that fact.

The CHAIRMAN: Are there any further questions?

Mr. DANFORTH: Mr. Chairman, I have a supplementary question along the same line, if I may. It has to do with mechanics. If it is found that the present policy, as being administered by the government, is causing undue hardship in any segment of the dairy industry can you, Mr. Williams, give me any idea of how quickly supplementary policy or any change in policy could be implemented in the industry. Because we have this policy, must it be maintained for 12 months or if something needs to be changed can we change the administration overnight?

Mr. WILLIAMS: In reply to the first part of the question my answer has to be that it would depend on what action were decided upon, if any action was decided upon. When I say that, there are certain things, action taken under the Stabilization Act, in respect of levels of support that are, under the act, mandatory for a 12 month period.

Mr. McKINLEY: That is dairy products, not the fluid part. I could appreciate butter maybe.

Mr. WILLIAMS: Butter and cheese are the two mandatory ones. But there is another clause in the act that reads something along these lines: that action authorized by the Governor in Council, and I am not quoting verbatim, in respect of a name product must remain in effect for the time specified in the order in council, and the order in council in respect of these other products has specified 12 months. Inquiries that the department has made of the legal people

would indicate that a change in support level is not possible without broaching the act. Now, whether alternative action can be taken under some oher procedure is a question that would have to be explored depending on the procedure that was decided upon. In so far as the administrative aspects of the question is concerned, once again, I must give an equivocal answer in that it takes a great deal of time to change procedures in respect of payment. If, for example, the decision were made that the payment would not be a direct payment but it would go through plants and that the plants would make it and that there would be that change in the program, I would think it would take probably two or three months to implement such a change. We have to set up a completely different accounting system within these plans and a different reporting system. I may be pessimistic when I say two or three months but it would take a considerable length of time.

Mr. DANFORTH: I can appreciate that, Mr. Williams. My point is cream, skim milk or fluid milk to factories are not under the stabilization Board. Therefore, I would not think they were subject to the same rigid control but more to departmental control. Since the new policy of the 75 cents is based on fluid milk, which is not under the Stabilization Act as such, would not be possible, in a very short time, if the support price was raised to 85 cents or 95 cents to put this into practice or would we have to wait for the 12 month period to expire.

Mr. WILLIAMS: Manufactured milk, fluid milk and so forth are not mandatory products under the Agricultural Stabilization Act as a named commodity and since the order in council specifies 12 months the act indicates that it must remain in effect for 12 months. However, as I say, supplementary action might be possible under some other procedure.

Mr. DANFORTH: Well, since this new policy which has been augmented by the government is under the Stabilization Act does it fall within the same category as the other commodities where the price is stabilized on the basis of a percentage of the ten year average?

Mr. WILLIAMS: Yes, that is correct.

Mr. DANFORTH: Take, for example, the 75 cents to stablilize the price at the $4 level, as outlined in this policy; what percentage is this estimated to be of the ten-year average?

Mr. WILLIAMS: Manufactured milk, which applies to the surplus portion of fluid milk that is being supported, is presently supported at 151 per cent of the base price.

Mr. DANFORTH: Have we any other commodity that is placed under the Stabilization Act which is supported to that extent?

Mr. WILLIAMS: The closest is wool, which is 139 per cent.

Mr. DANFORTH: Then the other products are far lower in the percentages; for instance, soybeans, sugar beets or anything like that has a far lower support price. Am I correct?

Mr. WILLIAMS: Most of the ones under active support at the present time are 100 or somewhat over. Between 100 and 110 is the general range.

Mr. DANFORTH: I believe the act states that anything which is supported in a mandatory way or in any other way must be supported at 80 per cent or over of a ten year average. Am I correct in that?

Mr. WILLIAMS: Only for the 9 mandatory products. A name product can be supported at any level.

Mr. DANFORTH: Even lower than 80 per cent?

Mr. WILLIAMS: Even lower than 80 per cent, yes.

Mr. DANFORTH: Mr. Chairman, may I pursue this just a little further. I am very much concerned for fear any policy, not just the dairy policy, once augmented by the government under such legislation could conceivably cause a great deal of havoc in an industry if it could not be changed for 12 months, if it was found it was working detrimentally to the interests of the industry. If I understand Mr. Williams correctly, and I do not want to be unfair in any way about this because it is too important, the policy once instituted under the Stabilization Act must then remain for 12 months.

Mr. WILLIAMS: For mandatory commodities it must remain for 12 months; for name commodities it must remain for the time stated in the order.

Mr. DANFORTH: But it is normal.

Mr. WILLIAMS: It has been normal for it to be stated for 12 months, yes.

Mr. DANFORTH: Then any relief for any segment of the industry that finds itself in dire circumstances must, in effect, have an auxiliary or some type of new policy in addition to. Am I correct in that assumption?

Mr. WILLIAMS: If it is under an active stabilization program at the time that this particular problem confronts it. That is the interpretation that the board has been given by its legal advisers.

Mr. DANFORTH: To apply this to the question that was asked by Mr. McKinley where creameries seem to be in dire circumstances, and this is a common complaint across Ontario and I am sure in other provinces as well, in order to have any relief, then we would have to have an additional policy under dairy and directed, perhaps, specifically to one particular segment of it. Am I correct in this?

Mr. WILLIAMS: Yes, I would think that that is essentially the case, with the proviso that it would not, of necessity, have to be directed specifically to that. It could cover more than that if a special policy of some type were to be superimposed on the support program.

Mr. DANFORTH: What I am trying to establish, Mr. Williams, is an avenue of approach for any section of a large industry like this which feels it is undergoing undue hardship. The avenue of approach then for this particular part of the industry would be to make direct representation to the government for additional action and perhaps with a recommended policy on their part of a manner in which they could be relieved of what they consider to be circumstances over which they have no control, that are forcing them out of the industry. Am I correct in this?

Mr. WILLIAMS: Yes, I would think that would be it.

Mr. DANFORTH: That this would be the logical approach rather than on an industry-wide approach?

Mr. WILLIAMS: Yes, I would think that would be it.

Mr. DANFORTH: Have the cream producers availed themselves of this opportunity, to your knowledge? Have they approached your department in this specific manner?

Mr. WILLIAMS: You are referring to the cream producers now, or specifically the creamery operators?

Mr. DANFORTH: Yes, the creamery association.

Mr. WILLIAMS: Yes, representations have been received from certain groups of creamery operators.

Mr. DANFORTH: Naturally I could appreciate that you are not able to get into the policymaking of this. However, from the evidence presented was it their opinion that this policy was creating hardships or were they of the opinion that it was the shift in emphasis from fats to the solids—non-fats which were basically their problem?

Mr. WILLIAMS: I would have to say, in respect of the representations which have been received to date, that the industry recognized that their problem was compounded by a change in the habits of producers and a change in the value of solids, not fat, and in essence they asked for a policy that would help relieve this situation in so far as they were concerned.

Mr. DANFORTH: Well then, any policy based on the solids, not fat, such as a policy on casein, more emphasis on powder, in effect give them an avenue of approach then in widening the policy as laid down by the government now. Is that not so?

Mr. WILLIAMS: Well basically yes. Basically what they have asked for has been an increase in butterfat payment to shippers who deliver their product as cream of somewhere between 8 and 10 cents.

Mr. DANFORTH: An increase?

Mr. WILLIAMS: Yes. In other words, to increase the 21.4 cents. In other words the 75 cents we are paying per hundreweight on milk now words out to 21.43 cents per pound of butterfat. In essence they have said they need a 30 cent subsidy to cream shippers to put them in the same position.

Mr. DANFORTH: I do not want to belabour this point but it is a complicated one so far as I am concerned. Is it possible to take action immediately on this particular request or does this fall under the 12 months ban again?

Mr. WILLIAMS: In so far as action under the stabilization act is concerned it would come under the legal restrictions of the act.

Mr. DANFORTH: Mr. Chairman, in this particular segment I am willing to pass as this has been clarified to my satisfaction.

The CHAIRMAN: Are there any further questions on this subject?

Mr. PETERS: Mr. Chairman, the Chairman of the Stabilization Board used the figure in reply to Mr. Danforth, of 151 per cent of the base price for, I suppose, surplus milk. Is this manufactured milk?

Mr. WILLIAMS: That is the base price for milk for manufacturing purposes.

Mr. PETERS: What would be the figures in dollars and cents per hundred that the 151 per cent would represent?

Mr. WILLIAMS: The base price as calculated by the board is $2.71 a hundred.

Mr. PETERS: This is on 151. You have arrived at a figure somewhere below $2, I presume. One hundred and fifty-one per cent would be calculated back to 100 would it not?

Mr. WILLIAMS: One hundred and fifty one.

Mr. PETERS: What was the national weighted average that allowed you to establish this $2.71 at 151 per cent?

Mr. WILLIAMS: I am sorry. I misled you. The $2.71 is the base price or the price received by farmers for manufacturing milk f.o.b. the factory for the past 10 years. The current support level is 151 per cent of $2.71. So if you multiply $2.71 by 151 you get the current support level.

Mr. PETERS: $3.25?

Mr. WILLIAMS: No, $4.10.

Mr. PETERS: When we decided on this $4 for milk, why did we not decide to use the Stabilization Act to provide the $4. I presume this would mean the right to purchase and a number of other things. I want to know the thinking that produced the situation that allows the province the right to set the anticipated base or the hoped for base price of $3.25. Why did we not decide to set that base through the Stabilization Board so there would be uniformity. We are not a great deal better off, it seems to me. In fact, we are worse off in some ways because the farmer believes that he should get $4 now. I have no argument that in the province of Ontario transportation costs is a factor that has to be considered in terms of the agreement between the farmer and the manufacturing plant he deals with. If all of a sudden the transportation costs go up then this is not entirely the federal government's responsibiliy. I do not think they have to assume that. Why did we not arrive at the $4 through the Stabilization Board, which is a national agency and can operate and has obviously operated in all the provinces to set a base. In this case why do we add the 75 cents or the 85 cents less 10 cents. Why do we add this on a national basis and leave the base price in the provincial jurisdiction?

Mr. WILLIAMS: We have no mechanism whereby we can set a paying price of $3.25. Anytime the Agricultural Stabilization Board sets a price it is set by a purchase method. If, for example, we set the price; the way we set the price of butter is by offering to purchase it. The mechanics of offering to purchase all the manufacturing milk in Canada put the question completely out of the window, it would be impossible to get into such a program. Therefore, in order to do our best under our legislation to set a price of $3.25 we have offered to

purchase the major commodities made from munufacturing milk. We are purchasing butter; we are purchasing powder; we have an offer to purchase on cheese. We have export assistance on cheese; we have export assistance on casein, all of which puts us in a position that they should be able to pay this much namely, $3.25. Even when we are purchasing butter, for example, this does not set the price that the butter manufacturer pays for his butterfat other than dependent upon the ability of the producer to negotiate, knowing that the processor is in a position to pay that much for his butter.

Mr. PETERS: Prior to the formula we now use in establishing commodities under the Stabilization Board that can be purchased, and these are limited to named or designated commodities, plus the eight mandatory ones, we had what we called a floor price which was also a purchase price. How did we operate that so that, federally, we could establish a minimum.

Mr. WILLIAMS: We have never established, to the best of my knowledge, a minimum price that processors pay to producers for their raw product other than the amount they have been able to enforce, if I may use that term, through negotiation. At the present time we are buying butter. Suppose we were doing nothing else but buying butter. All this would do would be to set the price of butter. The producer does not deliver butter; he delivers milk or butter fat. Therefore, it does not set the price of butterfat really.

Mr. DANFORTH: May I ask a supplementary on that, Mr. Chairman? Is it not a fact, though, that by federal action you can establish a minimum price that any producer shall receive by a direct subsidy to the producer himself, taking the difference between the minimum price established and the average sale price. Is not the custom—I am speaking of, say, soybeans—that you do federally actually establish a minimum?

Mr. WILLIAMS: That is right. However, the difficulty in so far as the dairy industry is concerned is that if we do this we have to wait until the end of the year when we find how much he was paid on the average. This is what we did last year to maintain a $3.30 level. You have to wait until the end of the year then and decide what the national weighted average is and what difference is paid. This is what we do with soybeans, as you correctly pointed out.

Mr. DANFORTH: When this method is used it is possible then—this is the point we are trying to establish—under the present mechanics of the Stabilization Act and its operation to establish a minimum price which a producer will receive?

Mr. WILLIAMS: No, it is not. It is possible to establish the average minimum price that all producers will receive and the board has never done anything else but that. It has never said that each producer will get this much for his product. I think you gentlemen would agree this would be completely unworkable. If the board were to be required to guarantee that each producer in Canada receive $4 for his milk f.o.b. the farm or f.o.b. the factory or on any basis whatsoever this would mean there was absolutely no incentive whatsoever for the plants to pay a price or for the producer to bargain for a price. They could sell it to the plants for 50 cents a hundred and the federal government would have to pay $3.50.

Mr. MOORE (*Wetaskiwin*): I have a short supplementary. We have heard a good deal—actually, I think, from the minister himself—that it is or would be unconstitutional. Now, it is not a question of being unconstitutional on these payments; it is a matter of expediency, is it not?

Mr. WILLIAMS: I am not sure I follow you sir.

Mr. MOORE (*Wetaskiwin*): Mention has been made that the reason payments cannot be paid directly to the farmer for the product is that it is unconstitutional. These statements have been made in the House. From what you have been saying it appears to me that it is not a question of whether it is unconstitutional or not; it is a matter of expediency that the payments now being paid to the manufacturer are made that way because you could not guarantee a set price to each individual f.o.b. the farm. In other words it has to be f.o.b. the factory?

Mr. WILLIAMS: I am still not absolutely certain of your point, sir. We can definitely make direct payments to producers and we are doing this at the present time. I do not believe the statement was ever made that it is not constitutional to make direct payments to producers because we do make them and we have made them for a great many commodities.

Mr. MOORE (*Wetaskiwin*): I gathered from certain statements that have been made that the government, speaking through the minister, had stated that we cannot do that because it is unconstitutional.

Mr. WILLIAMS: I believe what the minister did state was that it is unconstitutional for the federal government to set a minimum paying price that processors must pay producers for their product and that this lies within the ambit of provincial authority.

Mr. MOORE (*Wetaskiwin*): So just to get it absolutely clear, it is the processors where you cannot fix a price that the processors are going to get that they shall pay the producers.

Mr. WILLIAMS: That is correct, yes.

Mr. MOORE (*Wetaskiwin*): This is a matter of expediency as well. It would be almost impossible with the varying haulage charges, and so on, from each different farm to the actual producer.

Mr. WILLIAMS: Now we are into an administrative problem in respect of paying or setting a price f.o.b. factory as opposed to f.o.b. farm gate. To set a price for f.o.b. farm gate—I am speaking about the provincial government now because the federal government does not have this authority—would mean that they would have to have some type of pool hauling charges so that everybody in the country was assessed the same haulage charge whether the actual cost was 5 cents or 50 cents.

Mr. MOORE (*Wetaskiwin*): Well it is not that I did not understand what was being done by the government; it is just that I wanted to hear you say it.

Mr. DANFORTH: Mr. Chairman I did not quite finish my questioning in this particular area. Mr. Williams made the statement that it was impossible to guarantee under the administration of this that every producer would received

the price outlined as the minimum price by the Stabilization Board, and I appreciate that. But is it not true that under the administration of the Stabilization Board as such, by taking the average price received by producers, that the board can, by taking the difference between the average price received and the price as set out by the board and paying the difference, make absolutely sure that the average price is the price as outlined by the board?

Mr. WILLIAMS: That is correct, yes.

Mr. DANFORTH: Is it not true that in this particular instance the board is not establishing an average price for the dairy industry. The board is assuming that the average price will be $3.25 and has already named the payment it will make as 85 cents minus 10 cents which is 75 cents.

Mr. WILLIAMS: That is correct.

Mr. DANFORTH: And, under this administration it cannot guarantee that the average price will be $4. Is not the major difference in this policy that it is not establishing the average price but it is going on the assumption that the average price will be so much. Therefore if the average price is $3 the price as set out by the Stabilization Board cannot be $4 but will be $3.75, the average price received by the dairy industry. Am I correct in this?

Mr. WILLIAMS: Under the Agricultural Stabilization Act the board, in order to stabilize the price of a product—at any particular level, is allowed to take any one of three actions. The first action is that it may purchase an agricultural commodity at the prescribed price. This is the support that is presently being used for butter, as part of the combined support. It may pay to producers of an agricultural commodity directly or through such agents as the board may determine the amount by which the prescribed price exceeds the price determined by the board to be the average price at which the commodity is sold in such markets and during such periods as the board considers appropriate. Now that is the deficiency payment that is in effect at the present time for eggs, where the board collects, during the marketing season or during the support season or period, information as to the average price received by all producers for the commodity under support, and at the end of the year pays the difference between this and the prescribed level. The third action is that the board may make such payments for the benefit of producer as the Governor in Council may authorize for the purpose of stabilizing the price of an agricultural commodity at the prescribed price. Now, it is under that section that this action for the support of manufacturing milk is being taken.

Mr. DANFORTH: Is not my original premise in this correct, that the difference between this particular action on the part of the department and the action in respect of a crop like soybeans is the fact that in the one instance the department has the definite knowledge of the average price the grower received and is able then to calculate the difference between that and the minimum price as established by the department and, by paying the difference, assuring the producers that the average price will be the one as stipulated; whereas, in this particular instance in the dairy industry the department is only assuming, and can only assume, that the average price received will be $3.25 and that the subsidy, which is already prescribed as 85 minus 10, or 75 cents, will give the

producer $4 as prescribed under the policy, and that the fact still remains that if the average price is $3 instead of $3.25 it is only possible then for the average price to be $3.75 and it cannot be $4 under the policy as it is presently administered. Am I correct in this assumption?

Mr. WILLIAMS: The statement you have made, Mr. Danforth, is quite correct with the exception of two points. The first is that under the deficiency payments program it applies on the average, not to each producer. Second, the board is not just assuming that $3.25 will be paid; the board, as was announced by the minister is, through a purchase program, export assistance and so on, making it possible for producers to pay this amount. The minister pointed out very clearly that under the policy put into effect, it would be the responsibility of producers or their representatives to ensure that they get the $3.25.

Mr. DANFORTH: But surely, Mr. Chairman, we are just splitting hairs here. You say that the government has made it possible to establish the $3.25 price providing the producer is able to negotiate with his purchaser that this shall be the price.

The CHAIRMAN: No, Mr. Danforth that is not what Mr. Williams said.

Mr. DANFORTH: I would like Mr. Williams to clarify it.

The CHAIRMAN: All we are having is a repetitious questions.

Mr. ROXBURGH: Somebody else would like to ask some questions too.

Mr. DANFORTH: All right, Mr. Chairman. I will pass in favour of Mr. Roxburgh.

Mr. ROXBURGH: I am not asking questions; I am speaking for somebody else.

The CHAIRMAN: Mr. Moore has a supplementary.

Mr. ROXBURGH: After all, you take all morning, every day, Mr. Danforth.

Mr. DANFORTH: Well, Mr. Chairman, this is an important matter to the dairymen in my section and many other parts of Ontario. If it is not to Mr. Roxburgh, I will pass to let him present his problems but I am going to have this matter clarified if we sit here all summer.

Mr. ROXBURGH: Well all right, we can sit all summer. The Chairman clarified it for you. You cannot get any better answer than that and I do not know who you can talk to but a man who knows what is going on.

Mr. DANFORTH: I would rather have the witnesses answer my question than the Chairman.

The CHAIRMAN: I was only trying to clarify what has been said and I was just trying to stop repetitious questioning. If I understood what Mr. Williams said, they are buying the product from the processor which made it possible for him to pay the producer $3.25 and there is no reason why he cannot with the amount of money the federal government was paying for the products, the powdered milk, butter and so on that they are buying. This was my interpretation of what has been said. Also, I would say, with regard to soybeans—and I think I have a right as Chairman to express an opinion because I am still a

member of the committee—we know and you know, Mr. Danforth, that if I sell soybeans for $2.50 and say, this year, beans went for $2.70 a bushel, if there was a deficiency payment even the person who sold them at $2.70 would get the deficiency payment. If it was 10 cents a bushel he would get $3.80 then for his beans and I would get $2.64 for my beans. I do not mean we would all get the same price but we get a deficiency payment. I would say this, that most people do not think this is a fair type of system for payments because the poor man who has to sell his beans at market time certainly is not the one who gets the benefit of an increased market because he cannot afford to keep his beans.

Mr. DANFORTH: Mr. Chairman, how does this have any bearing on my question?

The CHAIRMAN: I do not know but you were using this terminology in your line of questioning.

Mr. MOORE (*Westaskiwin*): I do not know much about beans but I would like to follow this up. What concerns me is the variation in the price received for manufacturing milk in different areas of Canada. In order to illustrate this I would like to present some figures. For example, in one area the price received for manufacturing milk is $2.69 for 3.5 milk, add the subsidy on that 75 cents.

Mr. WILLIAMS: Could you repeat that?

Mr. MOORE (*Wetaskiwin*): Oh, yes. The price received for 3.5 milk from a manufacturer is $2.69 per hundredweight. When you add the 75 cent subsidy to that you get $3.44 cents. I realize that haulage charges are not mentioned in the policy and need not be but at least we can arrive at the figure the dairyman receives by subtracting 20 cents a hundred and we arrive at the figure of $3.24, and this is the final realized price after the subsidy has been received. I cannot understand why there is such a disparity between one area and another. I understand the realized price, say, in parts of Ontario or Quebec might be $4.10; there is quite a difference. These dairymen, of course, were led to believe that they would receive $4. In the same area, when you figure out what a cream shipper receives per hundred pounds, you arrive at the price of $2.065 cents per hundred pounds when translated into a price for a hundred pounds of milk plus the 75 cents, and this comes to $2.815. Now when you take these two figures, $2.815 as received for cream and $3.24 received for manufacturing milk, you are not even close to the $4 a hundred. I do not remember any recommendation in the dairy policy that the producers should organize—I know they are not very well organized—to ensure that they receive a higher price so that in the end they may receive approximately $4 a hundred. Now I think they should be told officially that if this is the only way they can arrive at it, they had better get busy and organize. Now I did ask if the minister would meet with the minister of the province of Alberta and after he had said that he would meet with the minister of the province of Quebec and the officials of Ontario, he said he had not been approached; in other words, he would have to be approached by Alberta but in some other provinces evidently the minister approaches them. I do not see the difference here but this was the answer I got.

Mr. WILLIAMS: Well if I could just make it quite clear about the statement that was made in respect of producer responsibilities under the current dairy

program, and I am quoting from the press release of March 24, 1966 and a similar statement has been made in the farm letters that went out to all farms, "Mr. Greene stresses that the federal government has no authority to set prices that processors pay to producers. The government will be supporting the market to allow processors to pay the equivalent of $3.25 per hundredweight to the farmer —but the farmer, through his boards and producer organizations, must still bargain for the best possible price from the processor."

Mr. MOORE (*Wetaskiwin*): I accept that but I say then he also has no authority to promise the dairymen $4 a hundred as a realized price because it is impossible under this set up.

Mr. BEER: I want to ask a supplementary question, Mr. Chairman, in connection with the last question asked. I think the price arrived at was $2.81. Is that correct?

Mr. MOORE (*Wetaskiwin*): $2.815 is correct.

Mr. BEER: Then you have not added to that the value of the skim milk that would remain on the farm in the event of separating there. Is that correct?

Mr. MOORE (*Wetaskiwin*): That is correct, I have not.

Mr. BEER: So if that is 75 cents a hundred?

Mr. MOORE (*Wetaskiwin*): It varies from place to place. In some places it may be worth practically nothing; in other places more. It is only worth so much as feed.

Mr. BEER: Now have you added to that price or deducted from the other price the amount of money that the shipper must pay to have his milk transported to a factory? When we are only transporting cream we do not have to add transportation cost so you must either add to the value or deduct in either case. Let us say the average shipping cost was 35 cents a hundred which the shipper of manufacturing milk must pay. So, you either deduct that from his returns or add it to the return—

Mr. MOORE (*Wetaskiwin*): You do not because he hauls it himself.

Mr. BEER: This man hauls his own cream.

Mr. MOORE (*Wetaskiwin*): All these men haul their cream themselves.

Mr. BEER: So then you add it to the value actually or deduct it.

Mr. MOORE (*Wetaskiwin*): Deduct it.

Mr. BEER: Which it would come out to $3.91.

Mr. MOORE (*Wetaskiwin*): Oh no, no.

Mr. BEER: Well this is not really the question I wanted to ask.

Mr. MOORE (*Wetaskiwin*): 20 cents a hundred; pardon me. Buttermilk can be purchased from this same source at 20 cents a hundred and buttermilk takes the place of skim milk.

Mr. BEER: Mr. Chairman, the question I wanted to ask, which was supplementary to the question asked by Mr. Danforth, was that I think in the

establishment of any policy we are interested in the general good of the whole industry. We all recognize that in trying to achieve the general good there may be certain areas in the industry that will benefit more than certain other areas. Mr. Williams, do you have figures that would indicate where we are going in this direction over, let us say, a five-year period, or a two-year period on the price that farmers receive for the milk at the farm, if you like, for all dairy products; in other words for the milk shipped by farmers over a five-year period and the anticipated price for 1966 based on this policy. Is that available? This would reveal to us the general direction in which we are going as far as this policy is concerned, recognizing that there are bound to be certain little areas where they will not benefit to the same extent that they do in the industry generally.

Mr. WILLIAMS: The average farm value as recorded by the Dominion Bureau of Statistics for manufacturing milk at the farm gate for 1965 was $3.06; for 1964 it was $2.77; for 1963 it was $2.67; for 1962 it was $2.64; for 1961 it was $2.68, and for 1960 it was $2.70. That is as far back as I have figures with me at the moment.

Mr. BEER: So we would be justified in assuming that we are going in the right direction, recognizing that there may be little areas where the benefit may not be equally distributed. Is this correct?

Mr. WILLIAMS: I think that is right, yes.

Mr. ÉTHIER: Mr. Williams, there is something I do not understand since the 1966 dairy policy was announced. I cover two large ridings mostly made up of dairy farms. The average price that was paid, if you take it back from last year to the first of April this year, was between $3.35 a hundred to $3.50 a hundred if you compare quality. When the policy came out this year, it promised the farmers 75 cents a hundred. Mr. Danforth has tried to establish that we promised the farmers $4 and that was not so. It was well explained in the communique that we have no power over the processors but it is still available to them so they could not pay less than $3.25. What I have against that policy now is that it seems some processors are using all kinds of schemes. There are four strong rural ridings, which carry on mostly dairy farming in eastern Ontario. As soon as that dairy policy came out they got a letter from the cheese producers marketing board which is now, I believe, administered by the milk producers marketing board in Ontario. All processors got a letter, stating they could pay a minimum of $3.25 a hundred, a minimum. Now they show that letter to the farmers and say "We are not allowed to pay more than that". In many cases they swing the farmers, which have grade A milk, to grade B milk and cut them 10 cents a hundred. In some instances there is the transport over which we have no jurisdiction. Is that happening, Mr. Williams, all over the country or is it only in my area?

Mr. WILLIAMS: With regard to the question of the minimum paying price, the Ontario government had a minimum paying price before that which was $3.21 but, as you point out, Mr. Éthier, the plants were paying considerably over the minimum price previously. You asked whether this was happening in other areas. I cannot answer that categorically. Certainly the reports that I receive

indicate that the paying price that processors are paying producers is lower this year than it was last year.

Mr. ÉTHIER: In other words, the processors are against the bonus we are giving to the farmers now directly, and we have no jurisdiction, I understand, over them. I think that is one of the reasons Ontario farmers are going to block the roads; they are trying to get the provincial government to take action on that. But I do not think we have any jurisdiction at all.

The CHAIRMAN: Mr. Éthier you did not make it clear where the letter came from that the processors received.

Mr. ÉTHIER: From the marketing board administered by the Ontario government. The processors are using that letter to fool the farmers. They show it to them and say we cannot pay more than $3.25, so they cut their price from $3.85, $3.50, $3.40 to $3.25. Now, there is another law that is pulling against the farmers, they cannot change plants, if they do not ship first quality milk. As soon as they find out that one farmer is not satisfied with his test or with his price—they know that, of course, because they chew the rag a little bit—they transfer this farmer. Well, it is tough when he cannot get permission to go to another plant. So, that cuts the competition in each riding in the rural areas. I do not blame the farmers at all for what they are doing in Ontario now. It is too bad but they have to do that. I think every member of the committee here will admit that in the last three years the direct bonus from the federal government has increased by 300 per cent. They were getting 25 cents a hundred and now they receive 75 cents. I do not think we should make an issue, in the committee, about the federal government and about the promises to the farmer. I know I explained it. I had a communique on this and we have no control over the processor.

Mr. WILLIAMS: In further explanation of what I said about, in general, the paying price to the producer being lower this year, I think, in all fairness, I must say that the basis on which the processor can price his milk has changed between years. Last year butter and powder, if I could take one example, was supported in three ways. We purchased butter at 55 cents a pound. We made a payment to producers of 10.9 cents per pound of butterfat and powder prices were approximately 15 cents. Now that was the basis on which he could pay whatever he did pay last year for milk, butter and powder. This year the basis is 18 cents, powder and 59 cents, butter with no 10.9 cent payment.

Mr. BEER: Mr. Chairman when I corrected my earlier question and Mr. Williams gave us the figures I also asked what would be the estimated price that farmers will receive in 1966 for all milk? Would you have an estimate?

Mr. WILLIAMS: Our estimate is $4.

Mr. BEER: It is $4.

Mr. MOORE (*Wetaskiwin*): I would like to know what milk is included. This is just manufacturing, This has nothing to do with distribution milk. Manufacturing milk will be $4.?

Mr. WILLIAMS: Manufacturing milk.

Mr. MOORE (*Wetaskiwin*): Not cream?

Mr. WILLIAMS: No, no. Milk for manufacturing purposes which concerns butter and powder, concentration and cheese.

Mr. MOORE (*Wetaskiwin*): This goes back to my original question. I cannot understand if you arrive at an average price of $4 throughout the country why it would be as low as $3.44 in one area. It must then be $4.56 in another area of Canada and yet these all go on the same market. Do you see my point? I am quoting figures.

Mr. WILLIAMS: Oh very definitely. For example, last year the national weighted average was $3.32 cents but there were many places where people received $3.60 so, obviously, in some other places they received considerably less than $3.32.

Mr. MOORE (*Wetaskiwin*): Could Mr. Williams give us an idea where those depressed areas are? The whole of western Canada is one.

The CHAIRMAN: The depressed areas where they are not going to receive that much money?

Mr. JORGENSON: Is there a pattern which is evident to you in those areas where prices are lower than in other areas?

Mr. WILLIAMS: I would have to say they are not, in general confined by geography. They are delineated by the degree of competion for the producers' milk. In areas where he is remote from a processing plant and where the number of plants to which he may ship is very limited, in general, those are the areas where prices are lower.

Mr. MOORE (*Wetaskiwin*): This milk, related to the figures I quoted, is six blocks from one plant and a mile from another, so it would not apply in this case.

Mr. FORBES: Mr. Chairman, my question is along a little different line. It is in connection with the grading of cream when a farmer takes his cream to a creamery. Now, they use the term government grade. Does the government pay this grader in each creamery all over the country and if so, do you recover any of that payment or is this a further form of subsidy to the dairy industry?

Mr. WILLIAMS: Cream grading is entirely a provincial responsibility. The federal government does not pay graders nor do they have graders in the field.

Mr. PETERS: Mr. Chairman, I think we are all concerned with this particular problem and we may be unfair to Mr. Williams in the questioning that we are pursuing perhaps because of the confusion in the whole field. It is a fairly confused field and, I think, even Mr. Williams will agree. There is such a difference, for instance, with cream; whether it is separated on the farm or separated in the factory means a different payment, so far as the farmer is concerned. In Ontario, the Ontario government I presume, has done what the Stabilization Board would like everybody to do, that is, to establish a base price of $3.25 which makes it almost mandatory that you arrive at $4 if it is number one milk. It makes it $4 because we add the 75 cents.

The CHAIRMAN: If it tests 3.5.

Mr. PETERS: Yes, if it tests 3.5. I am in complete agreement that the transportation cost incurred by the producer is not the responsibility of the federal government. We cannot get into that. We may not arrive at a $4 figure in Ontario and I disagree with Mr. Williams in that it is going to be higher in certain areas. I think we have always found in the past that our floor price also becomes our ceiling. There is, with exceptions, a tendency to level the price off in that range. I presume your jurisdiction or responsibility goes much further than just the Stabilization Board. In establishing the dairy commission, which I presume is going to operate in conjunction with marketing agencies in the provinces, how far have we advanced in developing in other provinces the same type of policy that will establish the $3.25. In other words, while there may be a provincial jurisdiction, I think the federal government has a responsibility, if possible to encourage the establishment in each province of a base of at least $3.25. How far have we gone in this field in provinces other than Ontario?

Mr. WILLIAMS: Is the question, Mr. Peters, how far have we gone in discussing with provinces their ability to set $3.25 or to set up boards and so forth that would have that authority?

Mr. PETERS: Yes, if the price to the producer hinges on provincial responsibility to establish a base price of $3.25. Now Ontario has done this and I agree with Mr. Éthier that it has not really arrived at a $4 price; it is a little bit like the mutton grading business because when the producer is faced with a change he quite often finds his grades suffer—when he has had 80 per cent number one he then finds himself with only 40 per cent number one and number two and number three are predominant. It may not be accomplished entirely but, obviously, we must have set up the dairy commission—I just forget what we call it that we just set up—on a national basis to work in conjunction with the provinces. We must have been working toward this as a national policy. I am curious to know what negotiations had taken place before we arrived at that policy?

Mr. WILLIAMS: I think that in the development of the program the ability of provinces to enforce this legislation was discussed and, in general, I think I would have to say that the negotiations because of the lack of authority in some provinces—that is, under their own legislation their boards tended to be negotiating boards rather than the type of board which exists in Ontario—did not prove to be as fruitful as one might hope and, as you point out, this will be one of the major functions of the Canadian Dairy Commission. As pointed out by the minister, when he introduced the legislation, one of its major functions would be to work very closely in co-ordinating provincial activities in this area.

Mr. PETERS: Would you say there has been some favourable development in this field since we passed the legislation for the establishment of the Canadian Dairy Commission?

Mr. WILLIAMS: I do not think that I could say that since it has been passed there has been any development.

Mr. PETERS: Could I ask the question in reverse then. Are any of the provinces opposed to making amendments in their legislation to see that this can be done.

Mr. WILLIAMS: I know of none but there may be those. I may say that prior to the development of the legislation for the Canadian Dairy Commission there was a national committee on which provinces were represented. The formation of a national dairy commission or the Canadian Dairy Commission, that functions essentially along those lines covered by the legislation, was a recommendation of this committee on which provinces were represented. They had approximately one-third of the representation; there was the trade, the producers and there were provinces. There were five provincial representatives. There was not a representative for each province but each province was represented. I believe the breakdown was a representative for the Maritimes, one for Ontario, one for Quebec, one for Manitoba and Saskatchewan and one for Alberta and British Columbia.

Mr. MOORE (*Wetaskiwin*): On a government level, sir?

Mr. WILLIAMS: Yes this was a provincial government employee.

Mr. PETERS: Could I ask one last question along this line. Is it the intention to pursue this? It would seem to me that if we cannot assure through provincial legislation the $3.25, we may find ourselves in serious difficulty by stabilizing products possibly on a very unequal distribution in some provinces at a much higher level than other provinces, unless we can get uniformity of the base, which really is a provincial base.

Mr. WILLIAMS: I think producers and producer groups will assume a great deal of responsibility for pursuing this matter.

The CHAIRMAN: This is the report of the Canadian Dairy Advisory Committee and it has a lot of answers to this suggestion. You should all receive this in the mail today. I should like to comment that I think the general opinion, Mr. Peters, of farmers and farm organizations is that the control of these products, should become more nation-wide; completely, as far as that goes. This is evident from all the briefs I have read which have been presented by them.

Mr. PETERS: I agree with this. I agree that it should be and we are subsidizing the end product through the Stabilization Board. We are making a direct subsidy on a national level to all secondary milk producers. Yet, we really have no control over what happens in certain areas, unless we have some control over this, the disparity in the amount of money that is going to have to be subsidized is not going to be equalized. It is going to be more in one province than another and this creates in my opinion an advantage for certain processors that is not in the interests of the stabilization policy. I do not think it is in the interest of the farmers either, so this is why I asked if we were pursuing this. I think we have a responsibility to pursue it.

The CHAIRMAN: I think this should be one of the committee recommendations sent to the House.

Mr. RICARD: If I understood correctly, Mr. Éthier, a certain processor would be depriving the producers of between 10 and 15 cents, I think, per hundred. In some cases, as Mr. Éthier said, more than that. Does the federal government have any jurisdiction or authority to correct this situation?

Mr. WILLIAMS: No sir. So far as the board is concerned, it is the board's opinion that the only alternative would be to say that unless plants pay such and such an amount the producers will get no subsidy—in other words, make it a condition of payment—and it was the opinion of the board that this would be a completely untenable situation, that the plant would then have the prerogative of being able to deprive the producer of the federal subsidy. What I am really saying, Mr. Ricard, is that the board could issue an order saying that unless a processor pays the minimum of $3.25 for his milk producers delivering milk there will get no subsidy. This is the only form of—it is not authority; it is coercion, and we do not believe it would be desirable or workable.

Mr. PETERS: It is very complicated.

Mr. RICARD: In other words, there is no direct authority to correct such a condition or situation right now?

Mr. WILLIAMS: Not with the federal government.

Mr. RICARD: Under whose responsibility does it lie?

Mr. WILLIAMS: The provincial government has authority.

Mr. RICARD: Then it is up to the provincial government to correct this situation if it is brought to its attention.

Mr. ÉTHIER: I have one supplementary question. In the rural areas the Ontario provincial government controls the permits for delivering milk. There cannot be more than one permit in a rural area, so far as I know, issued by the provincial government. But yet, they are handing out between 3 and 10 permits to gather the milk from the farms. On some concessions will be 10 farmers and there will be 12 trucks to go and pick up that milk. Then they tell the farmers that will not cost them more than 5 cents a hundred to come five miles and get the milk. Of course, the farmers think so but the processor has got to get the money someplace. That truck driver is being subsidized by the processor, and where does that money come from? The processor has no machine to make money. He is making money by processing dairy products. So that is a provincial matter over which we have no jurisdiction and we must have co-operation from the farmers themselves. But it seems that everybody is trying to mix up the cards. The processors right now are making the farmers believe that we promised $4 a hundred and that was false.

Mr. JORGENSON: Notwithstanding Mr. Éthier's protestations of innocence in this matter I want to ask Mr. Williams if the federal government was aware of this limitation in their authority before they established the present dairy policy?

Mr. WILLIAMS: Very definitely and the minister announced it when he announced the policy.

Mr. ÉTHIER: He included that in his statement, did he not?

Mr. JORGENSON: Well then certainly, if he was aware of it and did make the statement, and I seem to recall that he did, it was, of course, misleading, to say the least, to attempt to convince farmers that in effect they were going to have

a $4 minimum price on their milk when he knew full well that this was not going to be the case.

Mr. ÉTHIER: He did not know it was not going to be the case. Nobody ever expected that the processors would cut down their prices like that.

The CHAIRMAN: I think we understand what is going on and what is being said. I think we all understand that the processors are in the position to pay this much money for the milk if they so desire. Until someone takes steps to force them to do it there is nothing much that we can do. We could pay them a $3.90 subsidy and they could only pay 10 cents if they wanted.

Mr. MOORE: (*Wetaskiwin*): I have a non-controversial question which is purely for information. I would like to know, Mr. Williams, what percentage of applications for the 75 cent subsidy have been received from shippers of manufacturing milk?

Mr. WILLIAMS: We do not have applications from the shipper himself. The shipper registered through the plant. The latest report I had which, I believe, was yesterday or the day before yesterday, was that there are only four plants and they are relatively minor plants, where we have not got complete details for the first period.

Mr. MOORE (*Wetaskiwin*): This is to assist us when we have inquiries. Has the first payment gone out in any quantity? Although they were to be paid each month, I realize there was a delay at the start and I realize the reason for it. However, have most of the first payments gone out as of this date?

Mr. WILLIAMS: The very great majority have gone out for the first payment for manufacturing milk shippers. No payments have gone to cream shippers or surplus fluid milk as yet.

Mr. MOORE (*Wetaskiwin*): No, I understand that.

Mr. WILLIAMS: The scheduling is such now that in the second week of the month following the month in which the milk is delivered the payment will go to manufacturing milk shippers. In other words one month is allowed for the plants to get the returns in and then about two weeks allowed for the processing of the claims by our data processing and the issuing of cheques from the comptroller's office.

Mr. MOORE (*Wetaskiwin*): Well that is understandable and is commonsense. Now, what about the fluid milk shippers? I understand from the announcement they were to be paid each month too.

Mr. WILLIAMS: They will be paid each month and when the announcement was made it was indicated there would be a delay and this was included in the ads, I believe, to set up a registration system. We believe that registrations have, essentially, been completed and the present stage is that of pre-listings. Now, a pre-listing is simply that our computers print a list of the registered numbers of the shippers delivering to a particular plant. A big long list goes out with headings in it, and down the side the registered number, the shippers name and other information. This goes to the plant; the plant then fills it in and sends it back to us. These pre-listings have gone to the fluid milk receivers in most cases. Now there are some cases, once again, where difficulties have been

encountered in the returns from these plants because we cannot make up a pre-listing; we do not know who ships to anybody until the plant tells us. So they send us a list to start with and then this goes on the programming of our computers. The computers then print the list in each subsequent month. When the plant submits a claim it adds to the bottom of the list any names of new shippers and it deletes old names, and the list they get the next month reflects these changes they made in the previous month.

Mr. MOORE (*Wetaskiwin*): To answer an inquiry, when do they expect the first payment to go out provided everything else is in order?

Mr. WILLIAMS: I believe—and I would want to check on this, I am afraid—the first payments for fluid milk shippers are scheduled either for the end of this month or the first of next month. I could check on that and let you know privately.

Mr. MOORE (*Wetaskiwin*): I would like the information if possible because I have had inquiries.

The CHAIRMAN: Before we go any further I would like to inform the committee that Mr. Williams has to leave shortly because he has another meeting this morning.

Mr. ROXBURGH: I would just like to ask Mr. Williams one question. There seems to have been, on behalf of the farmers and so on, a lot of beefs by the opposition this morning. Mr. Williams, has the government received any complaints from any milk producing organizations on the price of the $4 milk as quoted at the factory. Have you received any complaints from the producers themselves?

Mr. WILLIAMS: I cannot speak for all of the government, obviously. To my knowledge, however, there have been no complaints that have specifically said that the $4 level is not an adequate level. There certainly have been complaints. The complaints have been in the nature of those which have been voiced here this morning, namely, that I am not getting $4 or my group is not getting $4. But I do not recall one that said the $4 level is not an adequate level.

Mr. RICARD: May I say to Mr. Roxburgh that you just have to read the last issue of *La Terre de Chez-Nous* and you will find out right there that the farmers are not satisfied with the dairy policy of the government.

Mr. ASSELIN (*Richmond-Wolfe*): They are not satisfied, you say?

Mr. RICARD: No.

Mr. ÉTHIER: They do not know who is to blame, Mr. Ricard, eh?

The CHAIRMAN: Order, please. Order.

Mr. ASSELIN (*Richmond-Wolfe*): Mr. Chairman, I would like to suggest that also in *La Terre de Chez-Nous,* they do not blame the federal government for this.

The CHAIRMAN: Order, please. I think that we are all here with one concern, the betterment of agriculture. I think we should keep this most prominently in our minds.

Mr. RICARD: That is what we are doing.

The CHAIRMAN: I hope so.

Mr. PETERS: I just wanted to follow up Mr. Moore's question about the manufactured milk payment. How far has the department been able to develop the program of making monthly payments to the cream producers, who have shown some concern that they are on a quarterly basis when the others are on a monthly basis.

Mr. WILLIAMS: Well, as I indicated earlier at this meeting, we have not been able to make any estimate at the present time because we have not completed a cycle of payments to cream shippers at all and we will not know until we know how the first cycle goes. We have not had returns from plants yet. The pre-listings are going out and until such time as a cycle is complete it is impossible to estimate.

Mr. PETERS: Once a cycle is completed then it would be fairly simple through computer to move it up to a monthly basis rather than a quarterly, would it?

Mr. WILLIAMS: It will not be difficult for us. It will represent a great many more cheques having to be issued but, of course, this is a question of volume and not of administrative difficulty as such. It will cause problems back at the creamery in that they will have to put in a report each month rather than a quarterly report. However, I do not envisage any difficulties, shall I say.

Mr. PETERS: It is your intention to do this in answer to the cream producers' associations?

Mr. WILLIAMS: I think the minister has indicated that every effort will be made to shorten the claim period for cream shippers as quickly as possible.

Mr. PETERS: We should not be guided by the fact that monthly cheques are more expensive than quarterly cheques.

Mr. WILLIAMS: I did not indicate that was the case. You asked what the difficulties were; these are some of the problems.

Mr. PETERS: No, no. I would think that as long as the intention is to do this, if it is possible, it would probably be satisfactory.

The CHAIRMAN: We will have to excuse Mr. Williams at this time.

Mr. FORBES: I have one short question before you leave. Can the producer not send in his own cream stubs and collect without the creamery operator being involved with all the bookkeeping?

Mr. WILLIAMS: Under the present program, no sir.

Mr. FORBES: It has to come from the creamery?

Mr. WILLIAMS: Yes sir.

Mr. FORBES: I have had some complaints from creameries saying that the government is involving them in a large amount of bookkeeping. I thought if the producer could send in his own stubs this would avoid this complaint from the creameries.

Mr. MOORE (*Wetaskiwin*): At one time these payments were paid directly by the factories involved and they, in turn, collected from the federal government. Is this not correct?

Mr. WILLIAMS: It was a payment that was paid only on cream used for butterfat. It did not go to all producers. It was a payment made only on butterfat.

Mr. MOORE (*Wetaskiwin*): Was not a subsidy of 25 cents a hundred on manufacturing milk paid in this manner at one time?

Mr. WILLIAMS: That is correct, on certain types of manufactured milk.

Mr. MOORE (*Wetaskiwin*): Thank you.

The CHAIRMAN: We will have to excuse Mr. Williams now. We have several other things we can carry on with. Mr. Payne is here on poultry and if anyone has any further questions on the stabilization of poultry products, they may put them at this time.

Mr. MCKINLEY: Mr. Chairman, I have one question on this. We have established the way that egg prices and so on were set the other day. However, because of the success of the broiler marketing board in Ontario there is a lot of anticipation that they may be moving toward an egg marketing board and a quota system for keeping hens. I was on the marketing board in Ontario for some time. Would it require any additional federal legislation to let them do that or would it be merely a vote of the producers that would set that up? Do the producers have to have a vote?

Mr. FRANK PAYNE (*Chief, Merchandising Section, Poultry Division*): This, of course, is again, a provincial jurisdiction matter. However, my understanding is that they already have a fowl and egg marketing board in Ontario. Now to get additional powers to control the marketing of eggs they would have, I understand, to go back to the producers in Ontario for another plebiscite. They already have a board now but the authority of the existing board for eggs in Ontario is only to promote research surveys and so on and to make deductions. They would have to go back for another plebiscite to control the marketing of eggs.

Mr. MCKINLEY: And to do that they do not need any further federal legislation at all. Thank you.

The CHAIRMAN: Has anyone else a question on eggs?

Mr. JORGENSON: After the stern lecture that was delivered to us on decorum by Mr. Roxburgh it is with some trepidation that I venture to embark on another line of questioning. There has been something which has concerned me regarding the support price on eggs. At the time the present system was put into effect the marketing of eggs was carried on in such a way that we were led to believe that the present system of deficiency payments was the best method of applying a support program. However, shortly after that the chain stores adopted a different policy toward marketing eggs by stating that fresh eggs, as advertised in the store, had to be fresh eggs. This pretty well prohibited the movement of eggs interprovincially. You will recall that there was at one

time a considerable movement of eggs from western Canada into the eastern market. It was on this basis that we thought the deficiency payments system would work. But, when chain stores refused to accept eggs which were more than two days old it was almost impossible to gather, to transport and deliver eggs to the eastern markets in that length of time. As a consequence, the application of the deficiency payments system has been most unfair. In the prairie provinces, for example, where egg prices range anywhere from 10 to 15 cents lower than on the eastern market the establishment of a national average gave a price in excess of the national support price to the eastern producers while, at the same time, in the western area, despite the inclusion of the deficiency payment, their price did not come up to the level that was prescribed by the Act. There has been some agitation for the establishment of a regional pricing system. Here again, I do not like to remind members on the government side of some of the promises they made but I wonder if they would care to deny that they did advocate that they were going to set up regional pricing of eggs.

Mr. ÉTHIER: That was not promised in my riding.

Mr. JORGENSON: You did not have to promise it here. Furthermore they said they were going to pay them on a quarterly basis. Now I wonder if any action is contemplated along these lines. That is one answer I would like to have.

Second, I was wondering if any thought had been given to the changing of the system. It seems to me that the application of both the offer to purchase and the deficiency payment system might overcome this difficulty. One of the problems, of course, is surplus production in certain areas. It is always difficult to adjust production patterns to meet effective market demand. I wondered if the offer to purchase system could not be implemented on a limited basis; let me put it this way, if the government would say to the producers: we will take off the market under an offer to purchase system at a prescribed price a certain quantity of eggs to allow for that discrepancy that would naturally arise because it is impossible to produce precisely the quantity of eggs you require. You are going to have over-production periods but you may also have under-production at other periods. So if the government would offer to take off a certain quantity of eggs this would enable the producers to have some margin upon which to operate. In this way you would not have the situation where if there is one egg less for breakfast than you require the price would shoot way up and if there is one egg more the price would shoot way down. This would give some stability to the pricing structure across Canada. Then after you had reached that certain level of production—in other words, you are giving the producers an opportunity to plan production so it would not be in excess of effective market demand—you could say: well now, we have taken off as much as we possibly can under this system and we are going to allow the deficiency system to operate now. Is there a way this could apply? In your opinion, Mr. Payne, do you think this could work?

Mr. PAYNE: Well, Mr. Jorgenson, you appreciate the fact that I cannot answer your policy question. I work on the administrative end of this.

Mr. JORGENSON: I mean from an administrative point of view. I am quite aware of this and I do not want to put you on the spot.

Mr. PAYNE: I can give you one or two interesting examples of what happened. When the Stabilization Board bought eggs back in 1958, 1959, it was my duty to get rid of those eggs for them. In one year, 1959, we had one million cases of eggs on our hands and we were selling them in every direction we could to get rid of them. Now today this is even more difficult. The world market is pretty well saturated with eggs and no matter where you put your level of offer to purchase someone is efficient enough to produce at a profit at that level and it becomes an incentive. It has to be very low not to be an incentive. The minute you create a purchase situation it becomes an incentive and then you get eggs building up. With respect to the regional aspect of deficiency payments, this matter has been brought before the board before. The same thing applies here with eggs as you discussed this morning with milk. True, when you take a national average there are some areas in which a producer can actually get more for his eggs than in other areas. When you pay a deficiency payment they all get it. The matter of whether it should be or should not be on a regional basis gets into the policy area. With regard to the movement of your Manitoba eggs, they are still moving, Mr. Jorgenson, and moving well. Manitoba eggs are being marketed in Montreal daily and they have a pretty good hold on the northern Ontario market.

Mr. JORGENSON: I understand this is happening now and I think largely it is a result of Reimer Express Lines.

Mr. PAYNE: This helps but the basic reason is that just a few years ago the egg grading stations in Winnipeg moved from the old candling lamp into the mass candling, washing and fast handling of eggs on a mechanized basis, to a position where they could compete with what was going on in other areas of the country. They are competing very well today.

Mr. SCHREYER: Mr. Payne, in your answer to Mr. Jorgenson you said that no matter at what level the purchase program were put into effect there would be certain producers who, because of volume, could make a profit at that level. Would not the policy incorporating support on only basic volumes, take care of that problem?

Mr. PAYNE: I did not say because of volume. It is because of efficiency. I do not think I understand the second part of your question. What you are suggesting is that we just purchase part of the producers' production? If so, there again you come back to the same problem discussed this morning in the dairy aspect which is that under the terms of the Act they cannot purchase the eggs from the producers. They purchase them from the grading station.

Mr. SCHREYER: It still could be worked out that the support would be only on basic volumes of production. Could it not be worked out through the processor? I take it that what is involved here is that a higher support level would mean increased production.

Mr. PAYNE: It would mean surplus eggs.

Mr. SCHREYER: But that is only if it were paid without regard to a policy which would cut it off at a certain basic volume for producers.

Mr. PAYNE: I am sorry I failed to get your point. What would be the point in a government buying part of a producer's eggs. He has to sell them all. Is it

not better to operate in an area of deficiency payments? You cannot very well buy part of each producer's eggs. It is rather interesting to note there are literally thousands of these producers that do not even qualify for the maximum deficiency payment.

Mr. SCHREYER: Well the reason I was thinking along this line is, to start at the beginning, what is the point of a price support program in the first place? It is to provide the producers with a certain return, a certain guarantee of return. The fear is that if support is at too high a level it will be too much of an incentive and we would then be faced with surplus production, which the board will not be able to cope with. Therefore it seems to be logical to think in terms of a program which would provide a guarantee to a certain level to egg producers without encouraging larger and larger production by a few large scale producers.

Mr. PAYNE: A guarantee of deficiency payments in cash or a guarantee of what the government should purchase? You say the government should purchase the producers eggs?

Mr. SCHREYER: Well yes, there should be an offer to purchase program to support the level.

Mr. PAYNE: Well I have operated the mechanics of this thing for some time and I fail to see how the mechanics could be operated. A grading station takes in eggs from 100 producers. Some producers may only bring in 30 dozen or, in a year, he may only sell him 100 dozen. You cannot very well buy that particular 100 dozen and 5,000 dozen from someone else, if this is your maximum. The mechanics of it I fail to recognize.

Mr. SCHREYER: Well I am not too sure of the mechanics of it, of course, and the administration of it; but the concept, at least to my mind, seems to be a good one. I do not doubt it would be difficult to administer.

Mr. PAYNE: I think we should bear in mind one principle which was enunciated here this morning in the dairy aspect of this and it is the same with eggs, that we cannot buy from a producer. They buy from the end product when it has been graded. These eggs come in as an ungraded product. Once they are graded and set up as a graded product then they can be purchased.

Mr. ASSELIN (*Richmond-Wolfe*): I would just like to mention here that we have had, I believe, approximately 30 meetings of the agricultural committee. We have had very fruitful meetings and I believe we are now at the stage were we are repeating ourselves. I believe we have discussed the situation of eggs three times during these committee meetings. This question that has been mentioned to date has been discussed twice in the House on private members bills. For these reasons and also because of the fact that we may be adjourning for a summer recess very shortly I would like to move right now that the question be put, I have a seconder to that motion.

The CHAIRMAN: I think if this is the feeling of the committee, there is something I would like to point out first. It does not mean, if the House does adjourn, we cannot proceed at a later date when the House comes back in session because supplementary estimates can be brought before the committee. I

discussed this with the minister and he sees no reason these supplementary estimates cannot be brought before the committee in the fall again. We have several things that at the present time could probably pass, namely items 15, 20, 25, 30 and 35 of the estimates of the Department of Agriculture for 1966-67 fiscal year. We have spent more time on stabilization and farm produce division than any other part of it. I went over the printed and unprinted deliberations. We do run into a certain amount of repetition; there is no doubt about that. We have worked out a subcommittee report which as yet has not been approved by the steering committee. It would have to be approved by the steering committee and then submitted to the House. I think that we could go on and on and on—there is no doubt about that—asking all kinds of questions but I think it would probably do more good if this committee submitted a strong report to the House at this time before we adjourn, and passed these estimates. We do not have to pass item 1 until the subcommittee's report has been studied by the committee, in camera, and we could pass item 1 at that time.

Mr. DANFORTH: Mr. Chairman, on a point of order, I take the strongest exception to the fact that there is an attempt to curtail our questioning on the agriculture estimates. This is not done in the House and it is my understanding that the committee, when dealing with estimates, would work under the same rules as in the House. Now I have requested before that I be allowed to ask questions on this entire egg structure which I am very interested in. I have been requested by the industry to do this. I wish to deal with the change in methods of the pricing and the establishment of the stabilized price for sugar beets, a question which has never been brought up in this committee as yet. I have been requested to deal in the greatest of detail with the dates—

The CHAIRMAN: Mr. Danforth, sugar beets were discussed at length by Mr. Olson and other members of the committee.

Mr. DANFORTH: Mr. Olson requested that he be furnished with a duplicate of the old and new method of pricing which I am most interested in. I wish to go into the field of the dissemination of the information from the department, dealing particularly with information put out with regard to stabilized prices and the methods by which they are arrived at. These are subjects that have not been discussed and as a member of this committee I demand my right to have this opportunity.

The CHAIRMAN: I would like to say that as a member of this committee who has checked the minutes, if every member had exercised his right as much as you have we would require 300 meetings.

Mr. JORGENSON: It seems to me there is a total lack of comprehension of the function of this committee on the part of the members of the government side. The purpose of an opposition is not just to sit here and pass the estimates. Our job is to examine them. I would like to do that as fully as possible. This is the first time in history that I recall the estimates of the department of Agriculture have been referred to a committee. It has been a good experience for members to have the officials appear before us and give answers to these questions. I thought there was something funny about the number of Liberal members which came into the committee this morning. This is unusual. Mr. Asselin

mentioned we had 30 meetings but failed to mention that most of the time we were waiting half an hour and more for Liberal members to appear in this committee so we could begin our questioning and get started.

Mr. ASSELIN (*Charlevoix*): Mr. Chairman, I take objection to that.

Mr. JORGENSON: All of a sudden they come in here in force and remain throughout a committee meeting, which is something unusual as well. Now they want to apply the guillotine to the operations of this committee. I must say that I am going to dissociate myself from that sort of activity.

Mr. ROXBURGH: No one is trying to do anything like that. Certain suggestions have been made. I have been away because I was away on a tour. Up until that time I came to the meetings. Everyone has their rights. Mr. Asselin expressed the opinion that we had discussed things fully enough and that these could be re-discussed after the recess. However, so far as I am concerned, no person needs to make any statement about not receiving the full benefits from these committee meetings because, so far as I am concerned, in any committee I have ever been on, no one has tried to cut anybody off from anything. Mr. Danforth mentioned certain things. I have been able to make up my mind. But, as I said a suggestion was made, and, if it is not satisfactory, we will continue. So what?

Mr. WATSON (*Châteauguay, Huntingdon-Laprairie*): Mr. Chairman, I think one point should be made. This is the first time, as Mr. Jorgenson has pointed out the committee has had the opportunity to examine the estimates of the Department of Agriculture. We have, in a sense, been breaking new ground these last 30 meetings and we have, I think, learned some methods of procedure which we should follow in the future. I think it is worth while pointing out that we have been repetitious to a degree. Those who object to this repetition are quite justified in making their objections. In the future, when we sit on estimates again next year, in this committee, we should try and work out—perhaps the steering committee could—some sort of procedure to avoid this repetition and to try to limit statements from members. We tend, I think to have long statements from members of the committee, followed by a very short question. My understanding is that we are supposed to be questioning officials of the department, not making statements ourselves. It seems to me a good percentage of our proceedings have been taken up with statements by members of the committee followed by very short questions.

Mr. JORGENSON: On that point, Mr. Chairman, I think the procedure you follow in this committee is one you would follow if you were in Committee of the Whole. This is nothing more than an extension of the Committee of the Whole and if Mr. Watson will check *Hansard* he will find that this is the very procedure they use in the House of Commons. Members are prone to make statements. They have observations they would like to make and I do not think they should be denied from doing so just because we have the officials before us. I do not think our observations should be limited to simply asking questions. I think it should be a little bit more than that. I am sure you will agree with that.

However, I quite agree with Mr. Watson when he said there has been repetition, and a great deal of that repetition has been as a result of the fact that a good many members belong to more than one committee. On many occasions I have been in this committee and pursued a line of questioning and received answers and had somebody come in from another committee and ask the same questions all over again. The difficulty is not entirely within the committee itself. It is the whole system of committees. If there is going to be an elimination of this problem then we must look at the whole committee structure and in the future instead of waiting three or four months after a session starts to refer the estimates to a committee, they should be referred immediately and then complete the examination of one committee and then go on to another one so you do not have all committees meeting at the same time.

The CHAIRMAN: Mr. Jorgenson, we started our hearings on February 17. They were referred to the committee—

Mr. DANFORTH: Mr. Chairman, may I speak on this matter of repetition, and I sympathize with members of the committee. However, I find it very difficult to see how we can actually help this matter of repetition. There are two factors right now that handicap the members, which makes it almost impossible not to have repetition. The first is the fact that the committee has been asked to sit while the House is in session. This is something that many of us take exception to. This means that if you are taking part in the debates of the House it is impossible for you to take part in the committee proceedings. And it is very difficult to come back to a meeting even after an absence of an hour or an hour and a half and pick up the thread and know what has gone on before. The second point I wish to refer to that compounds this very thing is the fact that it is impossible to read the proceedings of the preceding meeting before you attend the next meeting. Because of the mechanics of the bilingual translation and one thing and another it is impossible for members to receive the minutes of the meeting and know what questions have been asked and know what action is taken for, sometimes, three previous meetings. Under these circumstances, repetition is unavoidable. I think I am speaking for every member of the committee, Mr. Chairman; there is no desire to be repetitious; there is no desire to prolong the sittings of the particular committee. I find the figure of 30 meetings means absolutely nothing. I think it is immaterial to the committee whether it is 30, 60 or 10 as long as we accomplish what we set out to do. I think the Standing Committee on Agriculture has a golden opportunity to provide a service to the industry but we cannot provide a service to the industry until we find out where the particular difficulties lie. I know it is very difficult indeed for members sitting on a committee and working on something new to stay out of the partisan field and stay out of partisan politics. I want to compliment the committee on the fact this has erupted very seldom in the meetings we have had, although there has been sometimes a cross-exchange which you would normally expect in a committee.

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): I was not of the opinion that there was. I would suggest, Mr. Chairman, that this matter be referred to the Steering Committee to see if they possibly can do anything

about this in the future. They may not be able to but it is certainly not something that we can solve here.

Mr. JORGENSON: This is something that must be looked into.

The CHAIRMAN: Mr. Danforth, I do not think you really meant that the 30 meetings have meant nothing. It just sounded that way.

Mr. DANFORTH: The actual number in itself, I do not think we should be pleased with the fact we have had 30 meetings and, therefore, we have accomplished a great deal. When you speak of 30 meetings, very often we meet three times in one day, and that is classified as three meetings.

The CHAIRMAN: Yes.

Mr. DANFORTH: Well then, that gives a very different picture of the fact that we have had 30 meetings.

Mr. ASSELIN (*Charlevoix*): I was referring, Mr. Chairman, to the fact there have been 30 meetings and the fact there has been a certain amount of repetition. I believe we cannot avoid having a certain amount of repetition. I think we have studied the estimates to date. There has been an awful lot, in my estimation, of repetition. I take exception to Mr. Jorgenson's statement that there were more Liberals in attendance today than there was the other day. I would suggest there has been an equal number of Liberal and Conservative members on this committee. I am not pushing anybody and there has been no endeavour on my part or anybody's part to curtail discussion. I am just suggesting that we have had fruitful meetings. We have discussed the whole estimates to date. I would even go so far as to suggest, if you check the minutes, you will find that a greater majority of questions have come from members of the Opposition. This is normal and I completely agree with it; I will never try to curtail anybody's questioning at all. I think there has been a certain amount of repetition and we are getting to a point right now where we are repetitive. This is the only reason I felt I would like to ask the Chairman if he would put the question.

The CHAIRMAN: As Chairman, I have been under no pressure but I sit here every meeting and I do hear the same questions over and over again, although perhaps not in the same form. I would say that it has been a real experience for me as a member of the agriculture committee to listen to the proceedings and the officials. As we said earlier, this has never happened before in the history of Parliament. In the House of Commons we probably had the deputy minister and one other official sitting before the minister, but the minister answers in Parliament. We have never had the opportunity to have officials here, as we have had. I think it has been a wonderful thing. I am still definitely concerned that the people in agriculture are as much concerned with action as they are with words. I think we should submit a report to the House before we adjourn this summer—a strong report, so far as I am concerned. I do not think our committee should be partisan at all, although I think I was probably one of the most partisan members when I sat out there earlier. However, this committee, as Mr. Danforth has so well stated, has not developed into this type of committee. It has been more an information-seeking committee with questions and that sort of thing, which has been very good. Many members have

commented that they have liked the proceedings. I, as your Chairman certainly have not tried to curtail any questioning. I have been criticized for letting some members ramble on, but not by the officials at all. I have never received one complaint from officials who have appeared before the committee. I could not say I could be as cool in temperament as they have been all the time they have been here. They sit here time and time again.

I would point out to the committee that many of these officials, and we have seen them day in and day out, are highly-paid and they have to sit here and wait because they have no way of knowing when next they are going to appear before the committee. This should be of definite concern to the committee.

I would like to see us meet again this afternoon, leaving item 1, and if Mr. Danforth has further questions he can put them. Mr. Williams, I understand is available. We could leave item one until this afternoon. We could pass items 15, 20, 25, 30 and 35. No other member has indicated to me that they have further questions. Several members from all parties have asked me when we were going to be through with the estimates, and have indicated they think they should be passed.

Mr. JORGENSON: Why? Mr. Chairman, I have no objection at all to the submitting of an interim report if this is what the committee wants to do.

The CHAIRMAN: Mr. Jorgenson, I want to be clear. I do not know if it would be called an interim report. If we have supplementaries before us with which to deal—and, you could probably call it that because we would have to do what they did in defence. Now defence, in the House, if you will remember, got into a real hassle and I hope our committee does not get into such a real hassle.

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): Mr. Chairman, I feel that if any members of the Opposition have questions to ask they should be permitted and I will definitely not support Mr. Asselin's motion to put the question at this stage if there are still any questions by the members of the Opposition. I feel they should be given a complete opportunity. I do feel we should try to eliminate repetition if we can.

Mr. ASSELIN (*Richmond-Wolfe*): I would put my question so far as the rest of the items are concerned, excluding item 1.

Mr. DANFORTH: Mr. Chairman, I suggest we take no further action on it at this particular meeting.

The CHAIRMAN: Is the committee agreeable to meeting this afternoon at 3.30?

Mr. JORGENSON: You might have some difficulty getting a quorum, Mr. Chairman.

The CHAIRMAN: Yes.

Mr. JORGENSON: We could meet at 9.30 Friday morning?

The CHAIRMAN: Yes.

Mr. JORGENSON: We have met at 9.30 Friday mornings before.

The CHAIRMAN: Yes and it has worked out very successfully. We will meet tomorrow morning at 9.30, if that is agreeable.

Some hon. MEMBERS: Agreed.

The CHAIRMAN: I meant to say earlier that I do not think many of the members read the briefs; this is obvious to me by the questions which have been asked. We have a statement prepared by the officials of the Department of Agriculture on the supervision of pari-mutuel systems of betting, race courses and so on. I wanted this printed as an appendix to today's proceedings so that members could then refer to it.

Mr. ASSELIN (*Richmond-Wolfe*): I move that the statement prepared by the officials of the Department of Agriculture on the supervision of pari-mutuel systems of betting at race courses be printed as an appendix to this day's proceedings.

Mr. CHOQUETTE: I second the motion.

Motion agreed to.

The CHAIRMAN: We will meet tomorrow morning at 9.30. The Committee is adjourned.

APPENDIX I

Statement for the Information of

THE STANDING COMMITTEE
on
AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Subject: Department of Agriculture 1966-67 Estimates

Supervision of Pari-Mutuel Systems of Betting at Race Courses

Department of Agriculture
June 30, 1966

CANADA DEPARTMENT OF AGRICULTURE SUPERVISION OF PARI-MUTUEL SYSTEMS OF BETTING AT RACE COURSES

HISTORY

In 1886, the Criminal Code of Canada was amended to permit betting to be undertaken between individuals. In 1906 this Section was further amended to allow betting between individuals on the race course of any incorporated Association. In 1912, the particular Section of the Criminal Code was amended restricting betting privileges to associations incorporated before March 20th, 1912 or after that date by special Act of Parliament of Canada or of the Legislature of any Province of Canada and this applied to both Running and Trotting and Pacing races, restricting each separate incorporation to fourteen days.

In 1920, the Code was further amended, restricting betting at race meeting for Running horse races, to the pari-mutuel system and placing such betting under the supervision of an officer appointed by the Minister of Agriculture, with the cost of such supervision to be borne by the racing associations. The actual supervision of pari-mutuel wagering first commenced in 1921.

In 1947, Section 235 of the Ciminal Code was further amended, which removed the March 20th, 1912 date as it applied to Running Horse races, and limited this privilege to Incorporated Associations who had held a Running Horse race meeting under the supervision of an officer appointed by the Minister of Agriculture between January 1, 1938 and May 19, 1947 or incorporated after that date by Special Act of the Parliament of Canada or the Legislature of a Province.

In 1951, Section 235 was further amended placing racing associations conducting pari-mutuel betting on trotting and pacing races under the same supervision as those conducting such betting on Running Horse races and provided that the former associations retain the same percentages from the pari-mutuel pools as those retained by associations conducting running races, and restricting each incorporation issued prior to March 20, 1912 or after that

date by Special Act to 14 days in any one calendar year and the cost of such supervision to be borne by the Association conducting the meeting.

Between 1951 and 1955, the expense charged against the associations for only limited supervisors, (small fair Race Meeting, 2 supervisors at $27.00 per day—Total $54.00) was forcing the smaller centres to cease operations, therefore in 1955, the Criminal Code was amended by the removal of the words "at the expense of the association" and replaced by a provision for the payment to the Receiver General of Canada of a half of one percent of the total amount wagered on all pari-mutuel meetings operated under the supervision of officers representing the Minister of Agriculture, this payment to be known as Supervision Levy and used to cover the cost of supervision as provided by the Minister.

SUPERVISION

The Department's supervision at all tracks covered by the Department, is carried out by specially trained officers of the Royal Canadian Mounted Police, who are appointed as representatives of the Minister of Agriculture. The size of the detail at each track varies in accordance with the size of the race meeting, at no track are there less than three officers and as many as eight are employed at the large tracks. They are responsible for the proper distribution of all monies wagered and to ensure that the operation is carried out in accordance with Section 178 of the Criminal Code and the Regulations as issued by the Minister of Agriculture.

Prior to 1955, the Department's supervision was restricted to the detailing of a limited number of supervisors to each race meeting to carry out a general and limit supervision of the pari-mutuel operations, with the introduction of the Supervision Levy, the number of field supervisors was increased from nineteen to eighty-five in 1955 and increased yearly to a high of one hundred and fifty in 1965. The Department in 1955 also undertook to provide the Photo Finish Camera Service at all race meets operating in excess of ten consecutive days, this service has now been enlarged to include all non-conflicting circuits operating for more than ten days in any one calendar year. (In 1965 Photo Finish Camera Service was supplied at 1,632 of the 1,726 days supervised by the Department.) This service provides the Judges and/or Stewards with a negative and print of the actual finish of the race and this acts as an aid to the Judges and/or Stewards in the official placing of the horses in the correct order of finish.

In 1958, the Department's Supervision Services were extended to include the Film Patrol Service. This was provided at all race meetings operating with a daily wagering average in excess of $50,000.00. This Service provides the Judges and/or Stewards with a complete film coverage of the race from three different camera positions, within three minutes after the completion of the race and is used as an aid by the Judges and/or Stewards in determining whether or not any fouls, etc., were committed during the running of the race. This Service like the Photo Finish is contracted and paid for by the Department.

In 1958, the Department provided, under separate contracts with the various racing associations, the Saliva and Urine Service, which Service is operated under Rules and Conditions as issued by the Department, who also

assumed the financial responsibility for such service. The Saliva and Urine Service like the Photo Finish Camera is provided at all race meetings operating in excess of ten days or operating in a circuit of more than ten days.

In addition to the carrying out of the supervision of the pari-mutuel wagering, the Department is responsible for the drafting and issuance of Regulations under which the pari-mutuel is operated, in addition to Rules and Regulations governing Photo Finish Camera, Film Patrol and Saliva and Urine Services.

Under the present Regulations as issued by the Minister, any Association desirous of holding a Running Horse meeting at which pari-mutuel wagering is to be conducted must apply to the Minister for the dates prior to January 31st in the year in which such application applies, associations desirous of holding pari-mutuel wagering on Trotting and Pacing races, must apply before March 15th, in the year in which such application applies. The Association making such application, will be granted approval of dates and supervision supplied if the following are complied with.

1. Associations desirous of holding Running Races must have been incorporated before May 19, 1947, and have held a Running race meeting with pari-mutuel wagering under the Supervision of an officer appointed by the Minister of Agriculture between January 1st, 1938 and May 19th, 1947 or incorporated after May 19th by Special Act of the Parliament of Canada or the Legislature of a Province.
2. Associations desirous of holding Trotting and Pacing races exclusively must have been incorporated in any manner prior to March 20, 1912 or after that date by Special Act of the Parliament of Canada or the Legislature of a Province.
3. The Association has or is prepared to provide the necessary facilities and staff as outlined in the Department's Regulations, to ensure the proper operation of a pari-mutuel meeting.
4. That all Regulations as issued by the Department are to be complied with.

During 1965, racing in Ontario was conducted for a total of 731 days, of that total 196 were Running Horse races conducted at Fort Erie, Greenwood and Woodbine under fourteen charters held by the Jockey Club and the remaining 535 were Trotting and Pacing Horse races, of which 430 days were held at Windsor, London, Campbellville, Ottawa, St. Catharines and Toronto, with the remaining 105 dates held at twenty-two different centres. All dates were authorized under charters held by the Jockey Club (20); Windsor (11); Western Fair (6); Rideau Carleton (10) and Alvinston (1). No centre desirous of holding a race meeting in the calendar year 1965 was refused permission to conduct pari-mutuel wagering due to the lack of a charter. In fact the 48 charters held by the five Associations represented 672 days or 137 more than required.

For the Calendar year 1966, applications from the four major centres, Windsor, Western Fair, Rideau Carleton and Jockey Club represent a total of

595 days, leaving 77 dates for the smaller centres, from whom application for dates totalling 142 days have now been received.

Of the 48 charters used in Ontario at the present time, 46 were issued by the Province of Ontario by either Companies Act, or Letters Patent, while the remaining two were issued prior to March 20, 1012, by the Federal Government, through Letters Patent, issued by the Secretary of State.

Prior to the amendment to the Criminal Code, June 20th, 1951, placing the supervision of para-mutuel Trotting and Pacing Horse races under the Minister of Agriculture, the smaller centres in Ontario operated pari-mutuel meetings under incorporations issued after March 20th, 1912, under Letters Patent or Companies Act, by the Province of Ontario. Had the date of incorporation been raised from March 20, 1912 to June 20, 1951, it would have enabled those incorporations, which number approximately twelve, to remain valid for pari-mutuel wagering on Trotting and Pacing horses, thus providing an additional 168 days in each calendar year or 840 in any one calendar year in Ontario, without the issuance of any additional charters.

Breakdown of Jurisdiction

Under Section 178 of the Criminal Code, the Minister of Agriculture is charged with the responsibility for supervision of the actual pari-mutuel wagering, which encompasses such other services as Photo Finish Camera, Film Patrol, Saliva and Urine, which are allied and conjoint to the actual supervision of the pari-mutuel operations. The actual conduct of the running of the races is the responsibility of the governing body under whose jurisdiction such racing is conducted. In some provinces, the governing body is a duly constituted Racing Commission, while in other jurisdiction the associations operate with the Canadian Trotting Association or the United States Trotting Association carrying out the necessary supervision, however, in all instances they utilize the services as supplied by the Department.

Growth of Pari-Mutuel Wagering

The undernoted breakdown indicates the growth of racing between 1954 and 1965.

Year	Tracks	Dates	Amount Wagered
1954	30	448	$ 84,002,937.00
1955	32	450	86,107,163.00
1956	47	716	106,034,387.00
1957	48	716	112,627,857.00
1958	52	869	128,907,378.00
1959	51	882	134,215,976.00
1960	61	949	141,419,679.00
1961	72	1152	163,258,089.00
1962	72	1299	180,422,650.00
1963	77	1426	203,056,267.00
1964	75	1605	252,528,404.00
1965	79	1726	277,183,026.00

In this regard wagering on Trotting and Pacing races has increased from $2,949,670.00 to $107,256,691.00, while wagering on Running races increased in the same period from $81,053,267.00 to $169,926,336.00.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 25

Respecting

Estimates (1966-67) of the Department of Agriculture

FRIDAY, JULY 8, 1966

WITNESSES:

From the Department of Agriculture: Mr. S. B. Williams, Assistant Deputy Minister, Production and Marketing Branch and Chairman of the Agricultural Stabilization Board; Mr. Frank Payne, Chief, Merchandising Section, Poultry Division.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24799—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Crossman,
Mr. Danforth,
Mr. Éthier,
Mr. Faulkner.
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Herridge,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*),
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. MacDonald (*Prince*),
Mr. Matte,
Mr. McKinley,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, July 8 1966.
(32)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 9.50 o'clock a.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Choquette, Comtois, Danforth, Éthier, Faulkner, Gendron, Godin, Honey, Hopkins, Johnston, Jorgenson, Laverdière, Lefebvre, Matte, McKinley, Moore (*Wetaskiwin*), Neveu, Olson, Peters, Pugh, Rapp, Roxburgh, Tucker, Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan, Yanakis (27).

In attendance: From the Department of Agriculture: Mr. S. B. Williams, Assistant Deputy Minister, Production and Marketing Branch and Chairman of the Agricultural Stabilization Board; Mr. Frank Payne, Chief, Merchandising Section, Poultry Division; Mr. J. S. Parker, Director General, Departmental Administration.

The Committee resumed consideration of the estimates of the Department of Agriculture for the 1966-67 fiscal year, item 15.

At the request of Mr. Lefebvre, it was agreed that the answer of the Department officials to his questions on the production, consumption, importation and exportation of eggs be printed as an appendix to the Minutes of Proceedings and Evidence of this day. (*See Appendix I*)

Agreed—That items 15, 20, 25, 30 and 35 of the estimates of the Department of Agriculture for the 1966-67 fiscal year carry.

At 11:04 o'clock a.m., the Chairman adjourned the Committee to Tuesday, July 12, 1966, at 9:30 o'clock a.m., or to the call of the Chair in the event of a recess.

Michael B. Kirby,
Clerk of the Committee.

24799—1½

EVIDENCE

(Recorded by Electronic Apparatus)

FRIDAY, July 8, 1966.

● (9.45 a.m.)

The CHAIRMAN: Gentlemen, the meeting has now been brought to order. Mr. Danforth, you are the only one who has intimated that you have any questions. Mr. Payne can answer any questions concerning poultry. I think you intimated you had several questions on poultry.

Mr. DANFORTH: Yes, Mr. Chairman, I do. I have a whole series of questions on poultry, particularly the egg industry. May I indicate to the Committee that I would welcome supplementary questions, or would give way to any other Committee member at any time who wishes to ask questions.

Mr. Chairman, to begin with it was my understanding that we did have an explanation of the change in the pricing system of eggs in Ontario. I believe this took place in 1963. Am I correct?

Mr. FRANK PAYNE (*Chief, Merchandising Section, Poultry Division, Department of Agriculture*): Yes.

Mr. DANFORTH: Since there was such a drastic change in the method of publicizing the price of eggs may I ask where the initiative came from to make this change. I would like to know if it was by a producer organization, or was it by representatives of the egg industry, was it a departmental decision, was it a governmental policy decision. I would like to know where it was initiated. Is that information available?

Mr. PAYNE: The situation arose through the years into 1962, where it was getting to the point where there were so few eggs traded at the spot level that there were many days when we had not enough eggs traded to establish a price. We, in the poultry division, instigated a research project into the area of price reporting of eggs. We studied this matter in the Toronto area for a good year, and, in the process of studying this to find other methods of reporting egg prices, the people involved, the producers, the grading stations, and the wholesalers, of course, became aware that the study was going on. When the study was completed—they had asked for results of the study—we held meetings with producer groups, grading station operators and wholesale operators, outlining what we had found. We indicated that we had found an area of price reporting at the wholesale to retail level which would give a much wider coverage of the number of eggs moving in the given area. It was at the request of the intrested parties, the producer groups, the various organizations. They suggested that we go ahead and set it up on this basis, and this is what we did. It followed later by subsequent studies in Montreal and Winnipeg, and the changeover in those two markets as well.

Mr. DANFORTH: Is it not true that the change of system was applicable in Toronto for perhaps two or even three years before it was made applicable to Montreal and Winnipeg.

Mr. PAYNE: Yes, this is true.

Mr. DANFORTH: May I ask why the long delay? Was it because of the time it took to initiate the studies in the other two markets.

Mr. PAYNE: That is part of the reason. We had used Toronto as the pilot one, and then we moved to Montreal and Winnipeg to conduct studies in these two areas. We found in the Montreal area it was considerably more difficult inasmuch as there is a different type of trading in Montreal, and we had to set up a little bit different structure there because there are not as great a percentage of eggs moving into the Montreal market directly in the carton form as there is in Toronto.

Mr. DANFORTH: You state there was a somewhat different structure set-up in Montreal. Can you indicate in what primary there is a difference between the Toronto market and the Montreal market?

Mr. PAYNE: Yes. If you will pardon me for just one second I will give you some statistics on this.

We estimate that in the Toronto market 80 to 85 per cent of the eggs moving into this market are in the carton form, and in the Montreal market about 65 to 70 per cent. This was the basic difference.

Mr. DANFORTH: I can appreciate the basis, but if I understood you correctly—and perhaps I am wrong—you said that the pricing system varies—there is a difference.

Mr. PAYNE: Oh, I am sorry if I gave that impression. No, they are exactly the same. What caused the delay in the changeover was that we found that the structure was somewhat different in Montreal, and it took us longer to organize it because of the fact that only 65 per cent of the eggs moving into Montreal were in cartons whereas a much higher percentage than this was in the Toronto market. The system is exactly the same.

Mr. DANFORTH: In both instances it is based on carton wholesale-retail movement.

Mr. PAYNE: Right.

Mr. DANFORTH: One thing I am very concerned with—and I think the industry was too—is this: was it not a fact that once spot market quotations were removed from the Toronto market—and they were based on the wholesale-retail carton price—were there any representations from the trade itself over the fact we had the prices of two markets then being used which would make quite a differential in the prices received to various producers. I mean, sir, that very often the two prices used in pricing the eggs back at the egg stations were the Toronto carton price and the Montreal spot price because the Montreal spot price for two and one half years was the only spot price available to dealers in eggs. Am I correct in this assumption?

Mr. PAYNE: The fact that Toronto was operating on the wholesale-retail price level, and Montreal on a spot level, created considerable problems in the reporting area and in the marketing area until we got Montreal changed over to the same set-up as Toronto.

Mr. DANFORTH: Well I had—and I am sure other members did too during this period—representations from various primary producers of eggs to the effect that it depended on where they were able to dispose of their eggs. There was a differentiation as high as $4.00 to $5.00 per case of eggs. Does this seem reasonable to you, or a fair assertion on the part of these producers?

Mr. PAYNE: Well, this sounds rather out of line because $4.00 to $5.00 a case is a matter of 15 cents a dozen and I cannot see any circumstance that would create the wide a variation for the same quality egg.

Mr. DANFORTH: Would you say that $7.00 a case differentiation would still be more unreasonable to expect?

Mr. PAYNE: Yes, I would.

Mr. DANFORTH: May I assure you this was a fact even in my own neighbourhood. This is actually what happened. May I put it another way. Could you give any explanation under this present system why—and I am speaking of No. 1 eggs—the carton price of eggs could be wholesale-retail 49 cents and the price to the producer 19 cents?

Mr. PAYNE: I presume you are speaking of grade A large.

Mr. DANFORTH: Grade A large No. 1 eggs. Yes.

Mr. PAYNE: Well there are grade A eggs and grade A eggs. Some of the top quality eggs that are produced under a quality control program that are going into the carton market demand and get a premium. Some of the borderline type of eggs from the flocks that are not doing a good control job in many cases end up at the breakers particularly, in times when there is a surplus of eggs. If they are in surplus, they end up as breaking stock which demands a lower price. This can, and does happen. There are two market prices for eggs in this country. One is the contract type of market where the shell eggs go into the retail market. This is the vast majority of the eggs. Then, there is the surplus type egg which does not have a home which end up eventually in the breaking market. These eggs, invariably, demand a lower price. I think it could almost compare to your fluid milk deal where the milk goes into the bottle to consumers and then the other milk goes off to be processed.

Mr. DANFORTH: I think, Mr. Chairman, we are now getting into the area where the basic problem is, and I am just a little at a loss how to phrase my questions to bring out the points that I wish so perhaps the Committee will have a little patience.

• (10.00 a.m.)

The CHAIRMAN: Could I ask one question, Mr. Danforth? Is this happening now in eggs or did this happen a year ago?

Mr. DANFORTH: No, this is current. We heard evidence that there is a differentiation on this pricing. You speak of premium prices for quality eggs

and a contract movement of eggs. In order that I might satisfy myself as to exactly what is meant by the contract movement of eggs, is this a method whereby a certain wholesale company or a retail company with egg grading facilities enters into a contract with a commercial producer to produce eggs at an established price over a period of time? Could you explain to me just what is meant by this contract arrangement?

Mr. PAYNE: What I am referring to is a contract arrangement where a wholesale or a chain—say, a chain store in Toronto requires eggs—they require them in volume; they require them in quality. They go to a grading station and they say: "Look, I need so many eggs a week and can you supply them and put them into my cartons for me"? And he says: "Yes, because I have a group of producers around me who can supply the type of egg you want and in quantity." These are the type of contracts that are being set up all the time, so that they are guaranteed of their supply.

Now, many large producers tie themselves into this type of arrangement, into the shell egg market. This leaves a situation where some small producers in the outlying fringes away from the egg sheds—if you want to call them that—have to find a home for their eggs other than the carton market. In many cases, because the eggs are not of the volume or quality that is required in this carton market.

Mr. LEFEBVRE: A supplementary, Mr. Chairman. When you speak about grading eggs, are they the same grades from coast to coast in Canada? Is grade A large in British Columbia the same as a grade A large in Quebec or are there regional differences in your grading.

Mr. PAYNE: No, sir. We have one grade from coast to coast. We have a staff that administers the grade regulations. Now, the one point that I should bring out here is the fact that in any commodity when you are grading it, there is a range from the top to the bottom within that range. The chain stores today are demanding for the carton market top quality and even beyond the top quality of our grade A to the point where they even pay premium for quality control program to get this. The grade standards are the same from coast to coast.

Mr. LEFEBVRE: A further supplementary. Could you tell us, roughly sir,— do you have the figures here—what constitutes a grade A large egg and the other grades below it. What are the criteria for this?

Mr. PAYNE: Well, the criteria here, as you can understand by the nomenclature, A is the interior quality. This depends on the yoke being centred well in the egg, a firm, thick albumen, with a minimum air cell in the egg. It must have strong shells, non-cracked, non-blemished and not dirty. Twenty-four ounces and over in size is the large factor. Within the A's you have several sizes; A large, A medium, A small and A pee-wee. These are all grade A's, and below that you get your B's which are your under grades; B, C and cracked.

Mr. LEFEBVRE: But B's and C's, sir, are not sold in retail very often.

Mr. PAYNE: No; very seldom. In certain new Canadian quarters in Toronto you will find them. But this is about all. Basically they go for breaking stock.

Mr. JORGENSON: May I ask a supplementary question? You mentioned types of contracts that are being entered into by producers with the eventual retailers. I believe there are three types of arrangements. There are the producers who deliver directly to the consumer. I think there is a considerable amount of that going on, at least in Winnipeg there is. Then, there are those who contract directly with a retail outlet, for example, I think, Safeways.

Mr. PAYNE: In this case they must grade their own eggs.

Mr. JORGENSON: Yes, that is right. They do they their own picking up as well, right at the farmer's home. Then, there are the group who sell to the local egg grading stations. Could you give us an idea of the percentage breakdown of each of these categories or are there other types of contracts? What I am attempting to establish is that there has been considerable talk about setting up marketing boards in the provinces and I was wondering what the difficulties would be in reconciling all these different types of contracts.

Mr. PAYNE: Well, it was more talk. There are some already set up.

I cannot give you all your answers. We know that roughly 50 per cent of the eggs produced in this country go through registered egg grading stations. Now, in the other 50 per cent category you have all the eggs consumed at home and the farm; you have eggs that go to hatcheries, which is substantial, and you have eggs that are peddled. I am afraid I cannot break this down because we have no figures.

Mr. JORGENSON: Is there no way that you could acquire these figures? Is there no way that you could determine this?

Mr. PAYNE: No. Here we enter into a peculiar little constitutional area again. The producer has the right to grade his own product and to sell it where he wishes.

Now, registered egg grading stations come under our regulations, and we, in licensing them to operate, demand that they report to us regularly their volume, and, so this we have. But, this producer who grades his own eggs and sells them, the only control that is put on him is at a provincial level so we have no figures on this chap at all.

Mr. JORGENSON: You could not even get them if you collaborated with the provincial government. Do they not have these figures?

Mr. PAYNE: No, they do not. We suggested on many occasions that this might be a good idea, that they register this chap, and that as a term of registration they have him report to us for our market report.

Mr. JORGENSON: I see.

Mr. PAYNE: This has not yet been done in any province.

Mr. DANFORTH: Mr. Chairman, I will continue with the line of interrogation that I wish to follow. It is possible then for chain stores to make a contract arrangement either with an egg grading station or, as I understand it, if they have an egg grading station of their own, with a group of producers and they may take their eggs solely from this source. Am I correct in this assumption?

Mr. PAYNE: Yes, that is correct.

Mr. DANFORTH: Then, I would presume when they made a contract with an egg grading station that they would provide the egg grading station with their own cartons, with their own brand name, et cetera, for the eggs to be graded and packed in. Is this the general practice?

Mr. PAYNE: Well, some do, and others use the grading station's own carton; it varies. But, a lot of the chain stores have them pack them in their own cartons.

Mr. DANFORTH: It is probable or possible that small farmers with, say, 1,000 hens or less, when they take their eggs to their local egg grading station, if they have a contract with a wholesale-retail outlet who has those cartons there and a contract there—would find themselves in this position? If that wholesale-retail outlet is in a supply position where these eggs cannot be used, then these eggs are orphaned; they must find either a spot market or, perhaps, a market already saturated with eggs. Am I correct in this assumption?

Mr. PAYNE: Yes; this is a surplus situation in eggs; they battle for position in the market structure.

Mr. DANFORTH: Then, following this line of thought—and I am just using sample figures, and I am using No. 1 grade A eggs as an illustration—it is possible then for farmer A to take his eggs to an egg station who has this contract, and if the price, say, is 50 cents wholesale-retail to the farmer, he can sell these eggs then at 50 cents and receive his $15 a case for eggs. His neighbour, with equal quality eggs could conceivably go to the same egg station, and because the market for the wholesale-retail chain had been filled, the egg grading station would have no alternative but to put his eggs on a saturated market. Is it possible that he could receive 40 cents or 35 cents for these grade A eggs at the same time as his neighbour received the top price?

Mr. PAYNE: I find this a rather unusual situation. I could understand this happening between two grading stations, but I can hardly feature it in the same grading station. I do not think he would get away with paying two prices to two neighbours for the same quality eggs in the same grading station.

Mr. DANFORTH: Well, it could be in two grading stations. Could this happen?

Mr. PAYNE: This could happen in two different grading stations if one grading station did not have a market.

Mr. DANFORTH: Did not have a contract.

Mr. PAYNE: This could happen.

Mr. DANFORTH: And the other one with an adjacent grading station supplying the open market? There could conceivably be this difference then?

Mr. PAYNE: Yes.

Mr. DANFORTH: And this could account for the wide range that I spoke of. I know from personal knowledge of instances where it went up to $7.00 a case. This could explain why there could be this differentiation.

Mr. PAYNE: That is part of the answer.

Mr. DANFORTH: In an arrangement something like this, is not the wholesaler and the retailer then controlling the egg markets—the pricing—and have direct control of the egg market rather than supply and demand?

Mr. PAYNE: I do not think I understand your question. Well, the wholesaler—there are many wholesalers—there are many people supplying the market—they are all competing.

Mr. DANFORTH: Well, what I am referring to is a chain store with a contract instead of a wholesaler. May I use this phrase: A chain store with a contract, or he has a constant price, an agreed on price for eggs, is he not in control rather than the supply and demand.

Mr. PAYNE: I would like to point out one thing. This contract that you and I are referring to—is not an agreed on price. This contract is a contract to deliver on the market price. No one in his right mind would set up an agreed on price right straight through because he would lose his shirt when the price went down.

Mr. DANFORTH: Well, is there not an agreed on premium?

Mr. PAYNE: This is conceivable. Some people will pay a cent or two premium for quantity and quality, yes.

Mr. MOORE (*Wetaskiwin*): I would like to ask a supplementary question. Is a grading station obliged to accept shipments, say, for grade A large eggs.

Mr. PAYNE: Does he have to take all eggs offered to him?

Mr. MOORE: (*Wetaskiwin*): That is right.

Mr. PAYNE: No, he does not have to.

Mr. MOORE (*Wetaskiwin*): Well, in the first illustration Mr. Danforth used, in which he said if a grading station had a contract to supply eggs—receiving enough eggs to supply him—then this could happen between two neighbours. If the other neighbour brought eggs in, and the grading station is already receiving enough eggs to fill contracts they could decline to accept eggs from the neighbour.

Mr. PAYNE: Yes.

Mr. MOORE (*Wetaskiwin*): Because if they accept them, they naturally would have to pay the same price to both neighbours.

Mr. PAYNE: They can refuse. There is nothing in the regulations that makes them take all eggs.

Mr. MOORE (*Wetaskiwin*): I see. Would this apply to all grading stations or just one under contract?

Mr. PAYNE: This applies to all grading stations.

Mr. MOORE (*Wetaskiwin*): Now, on what basis could they refuse—that they would only market in an area?

Mr. PAYNE: Well, the same basis that any commercial organization can refuse to buy a product if they so desire. There is nothing to make them buy it.

Mr. MOORE (*Wetaskiwin*): In other words, then, you could be in a situation where you had no market even though there was a grading station there.

Mr. PAYNE: Yes, this has actually happened in certain areas where the one grading station in the area has folded up, and people have found themselves in the position that they have to ship farther afield to market their eggs.

Mr. MOORE (*Wetaskiwin*): This could apply to any commodity then. It could apply to cream possibly in the same way although I have not heard of it happening.

Mr. PAYNE: I would not know about the cream.

Mr. JORGENSON: Mr. Payne, do you get many complaints from producers about grading?

Mr. PAYNE: You said, "do I get many complaints"? No; very, very few.

Mr. JORGENSON: Very few.

Mr. PAYNE: We get the odd one.

Mr. JORGENSON: Has this diminished in the past few years? I know there used to be a considerable number of complaints. I recall on one occasion—this was several years ago—where a group of producers who suspected that they were not getting the type of grade that they should be getting conducted a bit of an experiment that produced some rather startling results. I do not recall the exact figures right now, but through the local grocery stores they purchased. They asked them to go in and pick up a crate of grade A large eggs. They simply took the eggs from him, lifted the fillers out, put them in another crate, marked the name of one of the producers and put it back in again. Although they all were sold to the grocery store as grade A large, when they had them re-crated again the second time, there were only about half of them that fell into that category. What recourse does the producer have when this sort of thing happens?

Mr. PAYNE: We get many fewer complaints in the grading area today than we had 10 years ago.

Mr. JORGENSON: More producers are grading their own eggs now.

Mr. PAYNE: Well, no. No, actually they are not. It is because more producers are on a more efficient business-like basis and they know what they are doing. They know the quality of the eggs, and their quality is better, and they are following these eggs through. We get very few complaints any more. Incidentally, when we do get one of these, what we immediately tell the producer is, "All right, next time you are shipping a case of eggs let the local inspector know, and the local inspector will follow that case right through." He will come in after they have been graded and double check them out. This we do automatically.

Mr. PETERS: Mr. Chairman, I would like to ask this one question although I do not know too much about eggs. Is it fairly easy for an inspector to spot this undergrading that farmers sometimes complain of in terms of averages? Are there standards for inspectors to go by? Obviously there will be a percentage of cracks and a percentage of small culls. Is this a fairly uniform thing?

Mr. PAYNE: Well, no two cases of eggs are the same. The only thing that is uniform in the whole thing is the standard that we have set up, established, and operate by. These standards set up for these grades that I mentioned a minute ago are the same right across the country, and they are administered by our staff and all commercial egg graders are checked out by our staff so that they are efficient and know what they are doing.

Mr. PETERS: In the case of a producer sending large quantities of eggs, it would be pretty easy, to spot what Mr. Jorgenson referred to, the changes that were made?

Mr. PAYNE: Oh, yes; a producer knows pretty well what his eggs are going to grade out at and he knows from season to season as to the size of those eggs. If the poultry is starting to lay they get small eggs, but they become larger as the season goes on. He can determine pretty quickly if there is anything wrong. In most cases today, if anything goes wrong in the grading, the grading station operator will call the store right up and will say: "George, what happened? This grade is down today." And the two of them will check into the matter to find out the reason. Maybe they switched feeds, and this has thrown something into the works. Maybe his cooling plant broke down. There is a very close liaison between the buyer and the seller today in this area, and they are both concerned about the quality of these eggs.

Mr. PETERS: To see that they are uniform?

Mr. PAYNE: Always.

Mr. DANFORTH: Mr. Chairman, on this basis, it has been determined now that because there could be surplus eggs, over and above those that are under contract or are placed in branded or marked cartons for specific outlets, this could be the cause of quite a large price differentiation right at a local level. Is this correct? This could be the primary cause?

Mr. PAYNE: This could be the basic cause, in as much as there are two market structures. There is one price for shell eggs that go to the consumer and there is another price for eggs that cannot find a home and have to end up on the surplus market. That is correct.

Mr. DANFORTH: Am I correct in assuming that if a producer, once this new system was inaugurated, was placed in a position where his eggs could not, or did not, go through the channel of the carton prices he could continually receive a deficit price because of this very nature of the marketing?

Mr. PAYNE: Well, he would be very well advised to shop around like most people who market products and find a grading station operator who would take his eggs into this market. If he had the volume and the quality he could find a market. Today we are operating from hand to mouth in eggs, and anybody who has a top quality product in any kind of volume can be commanding top prices.

Mr. DANFORTH: Well, sir, I certainly do not want to dispute your assertions in any manner but why is it that so many good, sound, basic commercial producers of eggs are now going out of business because they are unable to receive this so-called top price or this premium price.

Mr. PAYNE: Well, I am not prepared to accept the fact that is why they are going out of business. Do you think this is why they are going out of business.

Mr. DANFORTH: Well, it is certainly a pricing factor, especially in my area where we have some flocks of 10,000 which are not tremendous flocks but on the other side, they are not small flocks.

Mr. PAYNE: A very good efficient unit, 10,000.

Mr. DANFORTH: Men who have been in the business for, perhaps, a second generation are going out of business because they are unable to receive what they consider the prevelent or going price. Could this conceivably be the answer. I am not trying to place you in an embarrassing position; I am trying to find out what is wrong with the price system where there could be a differentiation of $3.00 or $4.00 a carton, and what is wrong that so many egg producers are going out of business. I am just trying to find out what could be the primary problem, and if it could be corrected.

Mr. PAYNE: Well, really I cannot feature any good, efficient flock owner of 10,000 birds going out of business because he was getting a lower price level for his eggs than the going price. I think there may be other reasons in there.

Now, as to this business of the two price system, which is going on and exists in other areas, if we had continued to operate in the spot area where there where so few eggs being sold, and at times, even to the point where an egg breaker could bring in 200 cases of eggs and dump them on the Toronto market at four or five cents under the market—and this has been done—and we can document this, and bring the market down a matter of 10 cents or 15 cents in a matter of three or four days. And, incidentally, this usually happens on a Thursday or Friday so that there was not another paper until the next Monday or Tuesday and they bought eggs at that price over the weekend. It became an untenable situation where the department were almost accused of being party to this type of thing, and we had to move into an area where we could put our hands on a volume of eggs.

Now, at that time everybody was affected by this tremendous fluctuation—everybody. So I suppose you might argue that everybody would be reasonably happy then because they were all getting the same, everybody was going up and down with the thing. But, under this structure, the vast majority of the producers are extremely happy with it because it has ironed out a lot of the fluctuations. The shell egg market is a market in its own, and it is relatively stable. It moves up and down, but it is relatively stable. Then, you have an area of surplus eggs that bounce up and down below this to find a home in breaking plants or whatever areas they can move into. You have to have the product to count it, to be able to analyse what was paid for it, before you can report it, and this was what had become wrong with the old spot market.

Mr. DANFORTH: I am quite interested in the information that you are giving along this line. May I ask, then, since there are these various outlets, is it possible for you to give me an average—and I know that it varies depending on the price—differentiation that you might expect between the carton price, the breaking price, and the surplus price?

Mr. PAYNE: I am afraid, sir, I cannot give you an average because this price varies up and down below, and there are times when it is as high as the carton price. In times of shortage it is as high as the carton price.

Mr. DANFORTH: The surplus?

Mr. PAYNE: Yes, sir.

• (10.30 a.m.)

Mr. DANFORTH: Or the breaking—the surplus price.

Mr. PAYNE: It is up as high as the carton price. Then there are other times when it may be down as low as 15 cents below it. It varies up and down as the market situation dictates. Today the breakers in this country are crying blue ruin because they have to pay as high as 40 cents for breaking stock, and the Melange market just will not support this type of price. But today it is up pretty close, relatively close. There is a tremendous variation, and this is the point, that this area varies but the other area is relatively stable. It has its ups and its downs but it is reasonably stable, and this has created a producer satisfaction; it has created a retail store satisfaction. The retailers say, "we do not want to be changing prices every second day for these things" and this has created a consumer satisfaction because the consumer backs away from a product when it quickly accelerates in price. It has to come down twice as far again before she will come back and buy the same amount. We have found in all these three areas a tremendous amount of satisfaction.

Mr. DANFORTH: Well, I would like to pursue that a little further but I do not want to get away from my original line of questioning here, right now. I am concerned over what is happening to the country producers of eggs. I think I am correct in my assumption when I say that there are a tremendous number of small egg producers going out of the business, and because of this there are a considerable number of small egg stations that are forced to close. Now, are there any other allied services that would make this different? For example, you have stated that in contracts there could be a premium, and I think you said one or two cents, which would not be a tremendous factor, I would not think. Are there any other services provided; for example, do eggs stations pick up eggs at the farm? Or is there a minimum number of cases that they will accept for this particular service? Or are there any of the allied services that enter into this that would have a direct bearing on egg pricing?

Mr. PAYNE: Yes; there are in certain areas trucks running through the country picking up eggs and I know of one or two situations where they will pay a premium, let us say, so much a dozen up to ten cases, a cent more for ten to twenty and a cent more for over twenty cases at a pick up.

Mr. DANFORTH: Not only do they not charge for this service but they pay a premium for the extra cases. Am I correct in that?

Mr. PAYNE: I am not aware of just what the situation is in the trucking area. I do not think they charge, no, because those trucks are running around the country. They have egg routes like you have milk routes. But by the same token, they do pay, in many cases, a premium for quantity and quality.

Mr. DANFORTH: So that it is conceivable or possible for a quality producer on the farm to receive a premium for excess production, or above the minimum, and receive another premium at the egg station because of the fact his eggs are going into a particular wholesale-retail outlet; in other words, he could get a double premium?

Mr. PAYNE: Well, these people all have their own methods of buying and some of them have premium factors and some do not. I would not know just how many types of premium situations there are.

Mr. DANFORTH: Perhaps I was not fair in my question, but there are various premiums and various contracts that could make it possible for a producer to receive more for his eggs than perhaps his neighbour? Am I fair in that assumption?

Mr. PAYNE: Oh, I think that is fair and if he is a good merchandizer he is getting the best deal he can from the station that will give him the best deal.

Mr. DANFORTH: I hope the Committee will have patience with me in this regard. There is another type of contract where the commercial outlet places the poultry on a farm and pays the farmer X cents per dozen for looking after the chickens and preparing the eggs for pick up. I think you are familiar with this type of contract.

Mr. PAYNE: I think there are a few of them around.

Mr. DANFORTH: The eggs then, right from the very beginning, are in the hands of the chain. If it is the chain which has this contract the eggs belong to the chain, am I right?

Mr. PAYNE: The eggs belong to the grading station. It is the grading station that is doing this, is it not?

Mr. DANFORTH: These are instances where the grading station is a part of the wholesale-retail chain; it is an integrated operation?

The CHAIRMAN: You mean the chain store owns the grading station?

Mr. DANFORTH: And the farmer.

Mr. PAYNE: Well, I do not know the details of any people's contracts.

Mr. DANFORTH: May I assure you this is the type of contract that is in vogue in my particular area, whereby everything is supplied to the farmer, the poultry, the feed and everything. All he does is get X cents per dozen for delivery of eggs to this particular chain. Now, what I was going to ask you, sir, is where the inspection takes place—I am very desirous to know, when the chain has the entire integrated operation, if there is an inspection at the retail outlet level?

Mr. PAYNE: There is a double inspection. There is a check inspection at the grading station level and there is a retail inspection as well. These, incidentally, are handled by two separate sections in the Department of Agriculture. The poultry division is responsible for the grading stations and the wholesale areas and the retail inspection unit handles the retail inspection of eggs at the same time they do the potatoes and the butter and everything else.

Mr. DANFORTH: If I may assume, it would be of a spot type at the retail outlet; that the retail outlet would never know when an inspector was coming or it would be just like the normal inspection is carried out?

Mr. PAYNE: I believe that is correct.

Mr. JORGENSON: Let us take the type of integrated operation we hear a great deal about. They are in existence not only in the area of egg production but in hogs and poultry as well. I wonder if Mr. Williams who never seems to be stuck for an answer, could tell us if there is some way of determining what percentage—this seems to be unrelated but it is in a way—of the feed freight assistance that is paid on western grain goes to this type of operation rather than to the bona fide producer? Does the Department keep figures or is there any way of keeping figures so that you could break down the amount of feed that goes into that type of an operatpon as compared to a bona fide farmer.

Mr. WILLIAMS: I am sure you appreciate the feed freight assistance is now under the Department of Forestry so I cannot answer categorically. I believe it would not be difficult to break down the feed freight assistance that is going to mixed poultry feeds. However, if the poultryman is buying grain and mixing them himself with a supplement, I do not believe it could be broken down. I am not absolutely certain on that, but I would be only too pleased to try and get what figures are available on the percentage. We do have estimates, certainly, of the percentage of the feed moving into eastern Canada and British Columbia under feed freight assistance that has various end uses. I must admit that these are at best, estimates. You do not have a record of the quantities purchased by individual consumers. That type of record is not kept. The claim is made by the wholesaler, or the retailer depending upon the level at which he operates.

Mr. MOORE (*Wetaskiwin*): Mr. Chairman, I wonder if we could have an indication of the difference in prices of eggs in different areas, whether it be provinces or different general areas of the country. I know you cannot give an average because it may vary but I just want a general picture. Do you understand the question?

Mr. WILLIAMS: We could get you the exact figures at the present moment on the basis of the national weighted average but we do not have it here. If it is a general indication of what happens in the average, Mr. Payne could certainly give you that.

Mr. PAYNE: Well, Toronto is usually a base price area. You get usually about one cent less in Montreal. It varies there, too. The maritimes particularly the Nova Scotia area that is exporting into Montreal, is usually about two cents below that. Manitoba, depending again on the situation, is usually about three to four cents below Toronto. Then, it drags out across the prairies in to Saskatchewan. They are usually one cent below Manitoba. Then you get into Alberta and they become somewhat influenced by the British Columbia market. The British Columbia market is usually as high as or higher than the Toronto market.

Mr. MOORE (*Wetaskiwin*): It seems to me that at different times—I am not too sure of my figures—there has been a tremendous difference between egg

prices, say in Saskatchewan or Alberta and Toronto, more than is indicated here. I just wondered if there is any explanation for this.

Mr. PAYNE: This would be in periods of surplus. There again you have your large consuming centres in Montreal and Toronto, and you have your carton trade and the surplus situation which can develop in the west or in Ontario, for that matter, will create a situation where those eggs will probably be going to the breakers into Winnipeg and they will be bringing breaking prices.

Mr. MOORE (*Wetaskiwin*): In other words, in periods of surplus supply all eggs sold say in Alberta and Saskatchewan at any one time could practically all be breakers?

Mr. PAYNE: Well no, because you still have your big market.

Mr. MOORE (*Wetaskiwin*): These eggs are shipped both ways, of course; that is, to the British Columbia market or to the eastern market. This is possible?

Mr. PAYNE: Yes.

Mr. JORGENSON: Mr. Chairman, I wonder if I could raise another question. This deals with poultry rather than eggs.

Mr. PETERS: Before you do that could I ask a supplementary question. Some time ago we heard a great deal about this vertical integrated market; my understanding is that some of the chain stores do have a total vertical integrated market from, in effect, owning the farm, owning the poultry and owning the guy who works for them. The eggs that are produced, obviously, on that farm are going to have a much more uniform relationship to the market because they control the market in that sense. Have Steinbergs and Dominion Stores and A & P and others that are in this field, Loblaws, I suppose, exercised any influence on the total market toward stabilization of price? How extensive is it? Is it 10 per cent, 20 per cent, 50 per cent?

Mr. PAYNE: In the case of Toronto Loblaws have about a one in fifteen influence, because there are sixteen reporters in Toronto. This varies from a low of 12 to a top high of 16. These are our wholesale reporters and each wholesaler has equal weight in this matter of determining the price, so in the case of Loblaws egg grading station, which is a wholesaler you are referring to, on a day with 16 reporters, they would have 1/16th of the weight.

Mr. PETERS: Stabilizing? I am not speaking from the farmer's point of view now, I am speaking of the marketing price. Is this a stabilizing effect? It seems to me there is no tendency in this case to have a surplus of eggs. They would not likely be in a position of over-owning their market.

Mr. PAYNE: There are 15 others reporting in there who are pushing eggs in every day.

Mr. PETERS: Yes, but they own their own market and they no doubt could expand to cover their own market. They may purchase. They may be short of the market, but they are not likely to be selling eggs outside of their own outlets. They may buy for their outlets but they are not likely to sell outside of their outlets. So, the effect would be on the selling price rather than on the purchase price?

Mr. PAYNE: What is the basic question.

Mr. WILLIAMS: I think I could answer it. In this particular case you are quite right. They do not sell. But in the case of the chain store the way Mr. Payne made reference to in Toronto, those are all purchased eggs that are going through there. Those are not eggs that are produced by hens owned by the chain stores.

Mr. PETERS: Oh, well—

Mr. WILLIAMS: They would be essentially all under contract, would they not, Frank?

Mr. PAYNE: Yes, they have a basic contract with these people to ship them their eggs.

Mr. PETERS: So this would be a stabilizing factor, at least a short term stabilizing factor for the market, would it not?

Mr. WILLIAMS: Yes, and I think the studies which were done by the department indicated that, namely, that this wholesale to retail cartoned egg price was a much more stable price than the old spot price. One of the basic reasons is that a lot of these eggs are under contract and being under contract there is not the same fluctuation in supply.

Mr. PETERS: Going to the other end of it, in the reverse, if there are surplus eggs and they are surplus at specific periods of the season, this would decrease the price for sold eggs, perhaps not at the consumer level but at the purchase level. In other words, there would be a surplus available to a limited market because the market is pretty well controlled in those 16 segments, anyway.

Mr. WILLIAMS: Well, I think that you always have this case when you have a controlled market plus a free market. All of your surpluses and all your deficiencies show up in the free market. As the free market decreases in percentage, your fluctuations become more violent, because your surpluses represent a larger percentage of a small amount and your deficiencies represent a much larger percentage of a small amount. The situation is identical with the world sugar situation where approximately 90 per cent of the world sugar moves under contract and 10 per cent moves free. Any little shortage or any little surplus has a very marked effect on the price on the free market because it represent a very large percentage of the market, although it may be a very small percentage of the total market.

Mr. PETERS: Is this more evident on a regional basis than it is on a local market? I would presume that Loblaws are operating mainly in the Toronto market or in the large reporting centres, which would mean no call to a grading station out in Saskatchewan, for instance. This would be the place they would cut off. They would not cut off their own producer in southern Ontario. They would not really be in the market for eggs in Saskatchewan. What I am trying to get at is we get a report all the time. I do not know whether it is true or not because I do not come from western Canada. However, we get reports that eggs are selling—farm organizations come to Ottawa and make presentations and they talk about 15 cent eggs, number 1 eggs. Well,—nobody is going to produce eggs for 15 cents. That is a fact because it is way below their cost, and I am in

agreement that probably it is because of the exceptionally large fluctuation in a very small quantity of the market that the fluctuation would be greater. This is more apparent, I presume, on a regional basis. What I am getting at is that I personally have been willing to support the idea of establishing for stabilization purposes regional areas rather than the national weighted average because it seems to me that we just do not have eggs in Ontario at 17 cents at any time. I do not think you could buy cracked eggs in Ontario at 17 cents. But if you buy grade A large in western Canada at 17 cents, this is the only way they can sell them. If you take the national weighted average you arrive at an egg price, for stabilizing, at around somewhere about 30 cents. This means that the national average runs around 30 cents and it does not seem to me that we are able to compensate the farmer with a reasonable price in those areas where small quantities of eggs have this terrific fluctuation.

Mr. WILLIAMS: I think part of the problem is that when one quotes prices of anything it is essential that one define where the price is quoted and on what quality it is quoted. I would say that over the years the Agricultural Stabilization Board's records in respect of eggs at the various local markets across Canada, on which our national weighted average is developed, do not show the type of fluctuations that often are reported. I would hesitate to be critical of the people who are reporting these, but sometimes they probably refer to mixed or ungraded farm eggs, probably a very large percentage of Bs, particularly in the hot weather, and maybe 100 miles from the nearest grading station, when we are talking prices such as you have mentioned. But, actual prices, that is prices of Grade A large delivered to a grading station, do not fluctuate as much as that. When I am saying that I will also say that eggs in more remote markets fluctuate more widely than they do as eggs near the larger centres. It is a question of degree that I am trying to define here. I do not think it is quite as severe as it is sometimes indicated.

Mr. PETERS: Is there anything further we can do? Is our assumption wrong that if we change to the basis from a national weighted average to a regional weighted average that this would bring considerable stability to the price in all areas, although it may not be feasible. I am not going to argue whether it is or not because I do not know and I am not of my own knowledge telling you that eggs are 17 cents in western Canada. I do not know if they are or not. These are the reports that we hear. This is the reason we have been interested in supporting proposals such as Mr. Rapp made not long ago of changing the base from a national base to a regional base for stabilization purposes.

Mr. WILLIAMS: To answer that question, the board has done studies on historical data using a hypothetical regional base and arriving at the hypothetical payments that would have been made had there been a regional average and a regional base and a regional support level. Now, using the same percentage right across Canada but determining different levels depending upon the ten year base in the provinces, in some years it would have been to their advantage and in some years it would have been to their disadvantage. On the average, it did nothing. In other words the advantages cancelled out the disadvantages. Now, that was the finding of our economics people who did this work. I want to make myself quite clear. That is, using a national support level

on a percentage basis but applying this percentage to arrive at a support level, applying this percentage to the ten year average in the region.

Mr. PETERS: Would the cost of administration be considerably higher?

Mr. WILLIAMS: It is not so much the cost of administration as the problem associated with the fact that eggs produced within a region are not of necessity marketed in that region. You may have difficulty in deciding from the address of the gentleman who claims where his eggs actually where marketed. That is the administrative problem. There is an administrative problem, obviously, but the administrative problem in respect of using 10 averages or 5 averages is not a great one. The administrative problem is trying to decide which one he should be getting.

Mr. LEFEBVRE: I know it is almost 11 o'clock, and I do not want to hold up the Committee, but I would like very much, for my information and perhaps for some of the other members, to have some answers to these questions printed as an appendix, probably, to today's proceedings. My questions are these: in thousands of dozens of eggs, sir, I wonder if you could have the answer printed—how many are produced in Canada, divided by the provinces; consumed in Canada, divided by provinces; imported into Canada, by provinces and from what countries; and exported from Canada, divided by provinces and to what countries; also, the dollar value in each instance at the retail level.

Mr. WILLIAMS: We will give you what we can of that. We do not have consumption by provinces. We do not have imports by provinces. In other words, all the imports are recorded at the various ports of this country. That does not mean to say they are consumed within the province in which they enter. For instance, if they enter through Halifax we do not know—there are no records kept, at least—whether that shipment may not end up in Alberta. We will give you what is available.

Mr. LEFEBVRE: Thank you.

Mr. WILLIAMS: We certainly have production and consumption figures, the consumption figures, being, of course, on a national basis.

Mr. MCKINLEY: Could we also have what is exported as eggs which have been broken, melange and this sort of thing?

Mr. WILLIAMS: Egg products?

Mr. MCKINLEY: Yes.

Mr. WILLIAMS: Mr. Chairman, if I might have the opportunity, just before that, there have been several questions or implied questions at least, asked in respect of the change in the structure of the egg producing industry in Canada. The Agricultural Stabilization Board did a survey of the people who claimed under our 1963 support program. I have here the figures that I could read very quickly. This showed that 35 per cent of the producers who claimed—now I am not saying of all, but we have to presume that since they had money coming that most people claimed—had between 1 and 99 hens. The biggest groups had between 100 and 500 hens, that was 47 per cent. Eight per cent had between 500 and 1,000; 7½ per cent had between 1,000 and 5,000, and I will not bother reading the rest of them but the remaining percentage, which amounts to less than 2 per cent, had over 5,000 hens.

Mr. JORGENSON: Could you tell us the amount of production. For example, what quantity of the total production does that 2 per cent produce as opposed to the groups in the other categories?

Mr. WILLIAMS: I cannot tell you from the data I have here, Mr. Jorgenson, but we can certainly tell you.

Mr. JORGENSON: Well, if you can get the information, perhaps that would be all right.

Mr. ÉTHIER: Mr. Williams, would it be possible to ask the department for the amount of eggs that were imported into Canada in the year 1965?

Mr. WILLIAMS: Yes, sir, that will be provided under the question asked over here.

Mr. ÉTHIER: You have the breakdown there by provinces but you will be giving it by just the total?

Mr. WILLIAMS: Yes.

Mr. ÉTHIER: The eggs that come, in, broken eggs by the pound, frozen eggs, I suppose.

Mr. WILLIAMS: Yes, sir.

The CHAIRMAN: If this information is provided to the Committee, are there any other questions concerning eggs?

• (11.00 a.m.)

Mr. JORGENSON: I have none on eggs, Mr. Chairman, but I have some on poultry that I would like to put.

Mr. DANFORTH: I have further questions, Mr.Chairman, on this.

The CHAIRMAN: Well, all we can do then today, as far as I am concerned as chairman, is to adjourn this committee until Tuesday morning at 9.30, if we are still here.

Mr. ASSELIN (*Richmond-Wolfe*): Mr. Chairman, we could complete the remaining items except item 1 and come back to item 1, if that were the wish of the committee?

Mr. DANFORTH: I do not agree, Mr. Chairman.

The CHAIRMAN: Is it the wish of the committee, then that we pass all the other items except item 1 and we could finish up or try to finish up the estimates next week, some day; that items 15, 20, 25, 30 and 35 be passed? This still leaves item 1 standing.

Some hon. MEMBERS: Agreed.

Mr. DANFORTH: With the understanding, Mr. Chairman, we can bring up any topic we wish under item 1. That is normally the agreement I believe, that under item 1 you can always—

Mr. ASSELIN (*Richmond-Wolfe*): Mr. Danforth, you remember the agreement we made prior to standing item 1 until the end.

The CHAIRMAN: Is this agreed?

Agreed.

Items 15, 20, 25, 25, 30 and 35 carry.

The committee adjourned.

APPENDIX "I"

Supplementary Questions Re Eggs
from the Committee on Agriculture, Forestry
and Rural Development

Question

A. Production of Eggs:

(1) What percentage is consumed in Canada.

(2) To what countries are shell eggs exported to, indicating quantity.

B. Consumption of Eggs:

(1) What percentage of the eggs consumed in Canada is imported.

(2) Countries of origin of imports and quantity.

Answer

Due to the overlapping of these questions the details will be found in the material in Table 1 or as specified.

Table 1

PRODUCTION & CONSUMPTION—EGGS

(000 doz)

	1964	1965
A. Production in Canada	437,906	432,795
B. Consumption	414,820	418,562
A. (1) Consumption as % of Production	94.7%	96.7%
B. (2) Imports (inspected C.D.A.)	502	2,422
B. (1) Imports as % of Consumption	.12	.58

The answer to question A.(2) will be found in Table 4.

Question

C. Canadian Production by provinces.

This information is set out in Table 2 on the attached sheet.

D. Consumpetion by provinces.

Statistics on consumption are available only on a national basis. This information is not available by individual provinces because detail of interprovincial movements are not obtained.

E. Imports into Canada by provinces.

The statistics of imports of shell eggs into the various provinces from outside of Canada, for consumption, are available only on the basis of inspected imports. These are set out in Table 3.

F. Exports from Canada by provinces.

Exports of shell eggs by provinces are set out in Table 4.

G. Indicate the dollar value at the retail level in each instance.

As indicated in Table 2 only the farm value is available as supplied by the Dominion Bureau of Statistics. Total values at other levels are not available.

Table 2

CANADA EGG PRODUCTION AND VALUE BY PROVINCES 1964-1965

PROVINCE	1964 Net Production (000 doz.)	1964 Farm Value* $000	1965 Net Production 000 doz.	1965 Farm Value* $000
P.E.I.	4,079	1,357	3,944	1,341
N.S.	18,279	6,217	18,450	7,424
N.B.	9,713	4,090	9,189	4,092
Que.	71,520	26,684	77,013	31,078
Ont.	177,023	58,779	170,701	62,307
Man.	42,878	11,564	42,584	13,036
Sask.	28,089	7,746	25,379	7,682
Alta.	38,574	10,748	36,654	11,765
B.C.	47,752	15,934	48,881	18,220
CANADA	437,906	143,119	432,795	156,945

Source D.B.S. *Retail value not available.

Table 3

INSPECTED IMPORTS OF SHELL EGGS
(EXCLUDING EGGS FOR HATCHING)

Destination and Year

	To: B.C.	Alta.	Sask.	Man.	Ont.	Que.	Atlantic Prov.	TOTAL
				—cases of 30 dozen—				
1961	7,041	10,782	—	8,770	24,646	137	—	51,376
1962	3,960	809	—	—	50,769	300	—	55,838
1963	3,816	1,522	—	38,452	128,570	17,483	330	190,173
1964	—	—	—	—	16,724	—	—	16,724
1965	5,179	2,296	—	—	52,560	20,731	—	80,766*

Country of Origin and Volume

	U.S.A.	U.K.	Poland	Total
1961	44,379	—	6,997	51,376
1962	13,642	—	42,196	55,838
1963	190,173	—	—	190,173
1964	2,050	14,674	—	16,724
1965	67,802	12,964	—	80,766

Source: Poultry Market Review CDA

Table 4

INSPECTED EXPORT OF EGGS (EXCLUDING EGGS FOR HATCHING)

By Destination and Year

To:	U.S.A.	B.W.I.	Other	TOTAL
		—cases of 30 dozen—		
1961	58,509	11,607	94,194	164,310
1962	20,209	5,590	3,987	29,786
1963	24,587	6,055	525	31,167
1964	32,479	7,727	10,002	50,208
1965	—	4,028	9,540	13,568

Source: Poultry Market Review CDA

By Origin and Destination (1965)

B.C.	—	—	1	1
Alta.	—	—	—	—
Sask.	—	—	—	—
Man.	—	—	—	—
Ont.	—	1,362	6,869	8,231
Que.	—	300	—	300
N.B.	—	—	—	—
N.S.	—	2,366	2,670	5,036
P.E.I.	—	—	—	—
TOTAL	—	4,028	9,540	13,568

Source: Poultry Market Review CDA

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The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 26

Respecting

Estimates (1966-67) of the Department of Agriculture and including the

FOURTH REPORT TO THE HOUSE

TUESDAY, JULY 12, 1966

WITNESSES:

From the Department of Agriculture: Mr. S. B. Williams, Assistant Deputy Minister and Chairman of the Agricultural Stabilization Board; Mr. A. D. Davey, Director, Poultry Division.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

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STANDING COMMITTEE
ON
AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan
Vice-Chairman: Mr. Herman Laverdière
and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Crossman,
Mr. Danforth,
Mr. Éthier,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Herridge,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*)
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. MacDonald (*Prince*),
Mr. Matte,
Mr. McKinley,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Hutingdon-Laprairie*),
Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby
Clerk of the Committee.

REPORT TO THE HOUSE

WEDNESDAY, July 13, 1966.

The Standing Committtee on Agriculture, Forestry and Rural Development has the honour to present the following as its

FOURTH REPORT

In accordance with its Order of Reference of March 22, 1966, the Committee had before it for consideration, the items listed in the Main Estimates for 1966-67 relating to the Department of Agriculture.

Your Committee has considered and approved the Main Estimates 1966-67 of the Department of Agriculture, namely: Items 1, 5, 10, 15, 20, 25, 30, 35, 40, 45, 50, 55 and 60, and commends them to the House for approval.

Your Committee wishes to express its appreciation to all those who presented evidence, and in particular The Hon. J. J. Greene, Minister of Agriculture; Mr. S. C. Barry, Deputy Minister; Mr. S. B. Williams, Assistant Deputy Minister, Production and Marketing Branch and Chairman of the Agricultural Stablilization Board; and Mr. J. S. Parker, Director General, Departmental Administration.

Your Committee would like to make the following recommendations:

Administration

Your Committee, during the many meetings it held, could not help noting that across the country the many jurisdictions cause inequalities and other difficulties that make it more difficult for the Canadian farmer to operate. It is your Committee's view that Canada in conjunction with the provinces should develop a more coherent and systematic set of agriculture policies that would have equal application across the country.

Your Committee is concerned that the stabilization of agricultural produce under the present system cannot always achieve the desired results. It is the Committee's opinion that the Department of Agriculture should study the various supply control systems and where possible recommend such schemes. From the Evidence presented it was the unanimous opinion of your Committee that additional measures concerning agricultural production and marketing is sorely needed.

More Federal-Provincial projects under A.R.D.A. and P.F.R.A. should be instigated on the initiative of the Federal authorities. It is your Committee's view that with the initiative and implementation left to the provinces, many farmers are placed at a disadvantage, primarily because some provinces do not have the revenues for implementation.

Importation

Your Committee has heard evidence that massive seasonal movements of foreign agricultural products into Canada have had a harmful and depressing

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effect on the markets of certain Canadian Agricultural products. Canadian markets and production should be closely watched by the Department of Agriculture and when the importation of agricultural products appear to have a harmful or depressing effect, quick and decisive action should be taken. Your Committee is of the opinion that the present system is inadequate to speedily combat such situations when they arise. Your Committee feels that regulations should be established that will give officials the power to take the proper action quickly.

Staffing

It has been brought to your Committee's attention that it is increasingly difficult to recruit qualified professional personnel for the Department of Agriculture. Your Committee is of the opinion that greater success could be achieved if the Department were to take more initiative in the recruitment of professional personnel.

Research

Today research into the physical sciences and technology is of paramount importance and your Committee would like to commend the Research Branch of the Department of Agriculture for the work done and under progress.

Your Committee, however, believes that research into all fields of the sciences and particularly the agricultural sciences should be greatly expanded.

Agricultural technology is to your Committee a subject of serious concern as it is an area that directly affects the farmer's costs, and productivity. As a result, your Committee feels that research into this subject should receive greater attention.

Your Committee notes that over the last few yesrs the Department of Agriculture has been refitting, rebuilding and refurbishing many of its research laboratories. Your Committee feels that this program should be approached with a greater sense of urgency.

Insurance

Your Committee supports the principle of crop insurance and believes that its application should be extended.

Your Committee is of the opinion that serious consideration should be given to amending the Prairie Farm Assistance Act so that the benefits it provides could be extended under a broadened crop insurance program, not only to the Western Provinces, but to the whole country.

Your Committee recommends that the P.F.A. Act be amended to allow sections of lands lying diagonally (Kitty-Corner) to each other to be eligible areas.

Extension

Your Committee is of the opinion that agricultural extension is of paramount importance and that effective use of research and experimental results are not now fully or adequately adopted by practising farmers. Your Committee believes demonstration plots or farms administered by the Federal Agricultural Research Stations would assist in solving this problem.

Your Committee requests that the Government give serious consideration to working in conjunction with Provincial Extension Services, to arrive at an

improved method of disseminating valuable research information and suggestions on a farm to farm basis and on a personal basis where possible.

Inspection and Sale Act

Your Committee is of the opinion that the Inspection and Sale Act, Chapter 155, R.S.C. 1952, along with the Inspection and Sale Act Regulations which appeared in the Canada Gazette, October 13, 1954,—S.O.R. 54-445—are no longer of any great value and the feasibility of placing the subject-matter of this Act under some body other than the Department of Agriculture should be examined.

Fur Farming

Your Committee recommends that greater encouragement be given to the fur farming industry in Canada, as there is great room for expansion of this industry.

Research into fur farming should be expanded and serious consideration should be given to setting up research facilities in central Canada, so as to serve more efficiently the fur animal breeders across the country.

Animal Contagious Diseases Act

Your Committee feels that compensation payments to owners after slaughter of their animals condemned under the Animal Contagious Diseases Act, R.S.C. 1952, Chapter 9, should be tied to current market prices, and that the Animal Contagious Diseases Act be amended to allow this.

Uses of Chemicals

In taking of evidence, your Committee became concerned with the ever increasing use of drugs and chemicals in the agricultural industry. It is your Committee's considered opinion that the controls of the use of such drugs and chemicals be kept under constant review in order that the consumer be protected in the use of such farm products.

Your Committee has heard some evidence which might indicate that the Health of Animals Branch of the Department of Agriculture could better police the sale and administration of drugs and chemicals used in livestock and poultry production. It is your Committee's recommendation that an interdepartmental committee, comprised of officials from the Departments of Agriculture and National Health and Welfare, be established to study and examine this aspect of drug and chemicals use with a view to establishing the best methods of control.

Sheep

Your Committee feels that the sheep industry is an area of the livestock industry that needs a great deal of encouragement.

P.F.R.A. Administration

Your Committee recognizes the great assistance that the Prairie Farm Rehabilitation Act has been to the three western provinces and feels that the spirit and effect of this Act should be extended to the whole of Canada and should be amended so as to allow greater development of water conservation

projects. Community development and certain urban water needs in farming areas should not be ignored.

Off-Track Elevators

In view of the large scale rail abandonment by both the C.P.R. and C.N.R. in Western Canada, your Committee recommends that the Canada Grain Act be amended so as to allow the Board of Grain Commissioners to license off-track grain elevator storage space.

Canadian Government Elevators

It is the opinion of your Committee that all Government owned grain elevators should be placed under the direction and control of one body.

Race Track Betting

Your Committee recommends that the administrative responsibility for the supervision of pari-mutuel systems of betting at race courses should be transferred from the Department of Agriculture to another department, as it is clearly law enforcement. Your Committee notes that the Royal Commission on Government Organization made a similar recommendation in Volume Three of its report.

In order to make more permits available to agricultural associations wishing to obtain "racing days", it is your Committee's view that the date of incorporation be raised from March 20th, 1912 to January 1st, 1967.

* * * * *

A copy of the relevant Minutes of Proceedings and Evidence (*Issues Nos. 1 to 26*) is appended.

Respectfully submitted,

EUGENE WHELAN,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, July 12, 1966.
(33)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 10.35 o'clock a.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Beer, Berger, Comtois, Danforth, Éthier, Faulkner, Gendron, Honey, Hopkins, Laverdière, Lefebvre, Matte, McKinley, Moore (*Wetaskiwin*) Neveu, Peters, Pugh, Stefanson, Schreyer, Watson (*Assiniboia*), Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan, Yanakis, (23).

Also present: Mr. Gray, M.P.

In attendance: *From the Department of Agriculture*; Mr. S. B. Williams, Assistant Deputy Minister (Production and Marketing), and Chairman, Agricultural Stabilization Board; Mr. A. D. Davey, Director, Poultry Division; Mr. J. S. Parker, Director General, Departmental Administration.

The Committee resumed consideration of the estimates of the Department of Agriculture for the 1966-67 fiscal year. The Chairman again called item I of the estimates.

Mr. Williams, prior to questioning, answered, at the request of the Minister, two questions which had been asked of the Honourable J. J. Greene, Minister of Agriculture, when he appeared before the Committee.

The Committee then resumed questioning the witnesses.

Mr. Beer moved that item I of the estimates of the Department of Agriculture for the 1966-67 fiscal year carry.

Mr. Danforth, on a question of privilege, stated that he had some more questions to ask of the witnesses regarding eggs.

Agreed,—That Mr. Danforth finish his line of questioning on eggs.

Later Mr. Beer moved, seconded by Mr. Yanakis that item I of the estimates of the Department of Agriculture for the 1966-67 fiscal year carry.

After debate on the motion is was *carried* on division; Yeas 13, Nays 2.

Agreed,—That the subcommittee on Agenda and procedure meet to consider a draft Report for presentation to the House.

At 12.35 o'clock p.m., the Chairman adjourned the committee to the call of the Chair.

EVENING SITTING
(34)

The Standing Committee on Agriculture, Forestry and Rural Development reconvened *in camera* at 9.00 o'clock p.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Beer, Comtois, Gauthier, Gendron, Godin, Grills, Honey, Johnston, Laverdière, Neveu, Schreyer, Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan, Yanakis, (15).

The Chairman informed the Committee that the Subcommittee on Agenda and Procedure had considered a draft "Report to the House".

Mr. Honey suggested, and it was *agreed*, that the Chairman read each paragraph and the Committee could "pass" on each as he read it.

Following reading of the draft Report and discussion, there was several amendments which were adopted.

On motion of Mr. Asselin (*Richmond-Wolfe*), seconded by Mr. Grills,

Agreed,—That the Report be adopted and the Chairman be instructed to present it to the House at its next sitting.

On motion of Mr. Schreyer, seconded by Mr. Johnston,

Agreed,—That the Chairman adjourn the Committee to the call of the Chair.

At 10.05 o'clock p.m., the Chairman adjourned the Committee to the call of the Chair.

Michael B. Kirby,
Clerk of the Committee.

EVIDENCE

(Recorded By Electronic Apparatus)

TUESDAY, July 12, 1966.

• (10.35 a.m.)

The CHAIRMAN: If there are no objections we can begin questioning Mr. Williams.

Mr. S. B. WILLIAMS (*Assistant Deputy Minister, Production and Marketing, Department of Agriculture*): Mr. Chairman, I now have answers to questions which were asked in the committee. The first of these is one which was asked by Mr. Jorgenson on the 17th of June, in which he asked whether Mr. Greene would be prepared to make a study on how many farmers are not going to be covered by the Canada Pension Plan. Mr. Greene has asked me to report that he has had departmental officials study this matter with officials of the Canada Pension Plan. They report back that because of two difficulties, one being the definition of a farmer, and the second and more important one, being that information is lacking as to income for sources other than farming for quite a large segment of it—these sources, of course, would be covered as well as sources of income from farming—that it is not possible to make an estimate until after the 1966 census and after the first years of the operation of the plan.

The second question I wish to answer was one asked at the last meeting concerning the percentage of western feed grains that had various end uses in eastern Canada. At that time I indicated I would get in touch with officials of the feed freight assistance administration in the Department of Forestry. I have contacted these gentlemen and as I indicated earlier, accurate figures—I should not say accurate figures—no data are available. Basically the story is that there are each year somewhat over two million tons of western grain moved into eastern Canada and British Columbia. Here it is mixed with, or utilized along with, is possibly a better term, some 4,800,000 tons of eastern grown grain. It is also mixed with protein concentrates and a certain amount of United States corn. When I say "mixed" this means that all these enter into trade and commerce in eastern Canada. This being the case, it is impossible from their records to determine the end use. However, they inform me that east of Ontario the estimates they use are that of the western feed grain moving into that part of Canada, 50 per cent is used by the poultry industry; 24 per cent by the dairy industry; 22 per cent by hog producers and the remaining 4 per cent by beef cattle and assorted other very small users. That was all I had, Mr. Chairman.

The CHAIRMAN: Mr. Pugh, do you have some questions?

Mr. PUGH: Oh, yes, if I could open with one.

The CHAIRMAN: Mr. Danforth has said he had some unless you wanted to begin.

Mr. PUGH: First, to open it up, is there a quota on United States turkeys coming into Canada at the present time?

Mr. WILLIAMS: At the present time there are no restrictions on the movement of turkeys into Canada other than the restrictions—I should not say restrictions—other than the tariff and any restrictions associated with, and possibly not the word restrictions, but regulations associated with health and grading. There are no quotas on turkeys.

The CHAIRMAN: Before you go on, Mr. Pugh, I have been negligent in not properly introducing the officials. Mr. S. B. Williams, Assistant Deputy Minister of Agriculture, in charge of production and marketing; Mr. A. D. Davey, Director, Poultry Division, Production and Marketing Board and Mr. Parker, Director General, Departmental Administration.

Mr. PUGH: I will not ask a straight series of questions, but I will go back to the quota system on turkeys. There was a quota in effect, the quota was lifted and the immediate reaction, a natural reaction, was that this was harmful to turkey production in Canada. Not only was it harmful but the end play on it was the stopping of production of turkeys because the margin of profit was too small. What I am interested in finding out is from a statistical point of view has turkey production gone down in Canada over, say, two or three years ago and is the profit margin actually smaller?

Mr. WILLIAMS: In reply to the first portion of the question, turkey production has increased in both of those years over the previous year. In so far as profit margin is concerned, that is not an item on which we have definitive figures. We can give you average prices, but we cannot tell you whether or not there has been a change in the profit margin.

Mr. PUGH: Have there been any representations from poultry or from turkey producers, not as a general protest in Canada, but from various areas. I am thinking about the island and British Columbia, Ontario, the interior of British Columbia and elsewhere. Have there been representations, say, within the last year that the quota system should be reinstituted?

Mr. WILLIAMS: There have been representations that a form of restriction or quota should be reinstituted, yes.

Mr. PUGH: Is this quota system not on so much per annum but rather so much per month from the United States?

Mr. WILLIAMS: The previous quota varied from time to time. At the time it was lifted it was a total amount per year and not more than half of that in any one quarter.

Mr. PUGH: In any one quarter, yes. Are the representations along the line that the quota system should be reinstituted along the former line?

Mr. WILLIAMS: I do not believe that the representations make specific mention of the type; that is to say, that it should be specifically the same as before or specifically different from before. The representations are more general in nature, indicating that they wish to have some type of a quota restriction.

Mr. PUGH: The next question is more or less hypothetical but I would judge from your position you might be able to answer it. We have had an increas in growth over the last two years. I am very pleased to hear that. Would we have had a much greater increase in Canadian production and marketing if we had had the quota system in effect?

Mr. WILLIAMS: That question is one that I do not think can be answered. It certainly cannot be answered by me. There are two imponderables in it. I think the major one is, what would have been the price had there been—I mean the price to the consumer—a quota system? All I am saying really is that the consumption figures have gone up significantly in each of those years which is of course the reason why the production figures went up or vice versa. But had there been a quota restriction it is impossible to predict what the price would have been and consequently it is impossible to say what the consumption would have been. In general, I would say that the imports since the quota was lifted; that is to say, imports in the last full year since the quota was lifted, were under the previous quota. The previous quota was four million pounds per year.

Mr. PUGH: Yes.

Mr. WILLIAMS: The imports were 3.4 million in 1965.

Mr. PUGH: In 1964 did they not get up—

Mr. WILLIAMS: It was a very large year. It was almost 10 million pounds.

Mr. PUGH: I was going to say nine millions plus.

Mr. WILLIAMS: That is correct, yes.

Mr. PUGH: This was when the initial impact of the lifting of the quota was felt.

Mr. WILLIAMS: That is right.

Mr. PUGH: In other words, I believe that prior to that time we had somewhere around three millions, and that when the quota was lifted in 1964 we surged up and in the first six months we had somewhere around seven million of turkeys.

Mr. WILLIAMS: Yes.

Mr. PUGH: And when I say the initial impact was felt, obviously those turkeys which had not been coming in before had been filled in by turkey production in Canada. There was quite a slump in our efforts. What I am trying to get at is if we still had a quota system is it not reasonable to assume that the increased production would have come about by birds produced in Canada?

Mr. WILLIAMS: If one assumes the same price level I do not think one could make any other assumption than this would have been the case. However, it is of interest to note that in 1963 our production in Canada was 146 million pounds of turkey. Our imports that year were only 38,000 pounds, because of the price relationship. There was a quota on, of course, but the imports did not even come close to filling the quota. The next year production increased by up to 162 million. In other words it increased over 10 per cent.

Mr. PUGH: This is 1964?

Mr. WILLIAMS: This is 1964 and in 1965 it increased to 186 million, another 24 million pounds or about 15 per cent again. So in each of those years there has been a very significant increase in Canadian production.

Mr. PUGH: Then this would point out that there is nothing in the nature—I do not mean straight dumping but if there is such a word as near dumping from the United States. There is not any worry from the Canadian producer's

point of view there, that our market is being flooded to take the cream or something like that?

Mr. WILLIAMS: Well, basically, I think, if I could review for a moment, the situation in 1964 was that because of changed production patterns in Canada there was a shortage of heavy turkeys early in the year. Now, this is the time of the year that the institutional trade, restaurants and so forth, use heavy turkeys. This is one of the largest uses for turkeys at that time of the year. Prices rose correspondingly to quite a high level and this attracted imports. This was the major reason why the imports were so high in 1964.

Mr. PUGH: It was felt it was necessary to take off the quota in order to fill the normal needs of the Canadian public?

Mr. WILLIAMS: Yes, there was that and there was another consideration, that the quota was and had been questioned for some time as to its legality under the General Agreement on Tariffs and Trade.

Mr. PUGH: Yes, but we still do have a fairly hefty quota system on many other products, for instance, potatoes, seed potatoes on export from Canada to the United States.

Mr. WILLIAMS: Into the United states?

Mr. PUGH: Yes.

Mr. WILLIAMS: We do not have a quota system as such. We have a differential tariff system, a two-level tariff system against us for potatoes moving into the United States.

Mr. PUGH: I would now get away from agricultural products. I always begin to wonder about this quota system because one of the things we always have thrown back at us is the quota system on oil, for instance. We had not touched that but we still had it flung at us, look out or they would lower their quota of Canadian production going into the United States. I had not heard this before that there might be a question of legality under GATT. Are there any other agricultural products, products on which we have a quota system?

Mr. WILLIAMS: You mean coming into Canada or against our products going out?

Mr. PUGH: Against our products going out actually.

Mr. WILLIAMS: And to the United States?

Mr. PUGH: To the United States, yes.

Mr. WILLIAMS: Cheese.

Mr. PUGH: Cheese has a quota?

Mr. WILLIAMS: Cheddar cheese has a quota at the present time, yes. The only other one that comes to my mind is a related one and that is with live cattle: there is a differential tariff rate as the number increases. In general these differential tariff rates have not been restrictive in that we have not reached the level.

Mr. PUGH: I think you have answered all the questions I have, and very well, on this quota system on turkeys. I was interested in that because I have had a great many representations put through simply because I asked a few questions on it before. If the actual imports from the United States are not

running at such a high rate as to have an adverse effect on our total production in Canada, then, obviously it is not really in the eyes of the government having too much effect. The fact that we do not have a quota on at the present time, it has an effect on two things; our production and also the price which the producer receives for his goods. I think that answers everything. Thank you very much.

Mr. STEFANSON: Mr. Williams mentioned that the turkey production has increased substantially. Has the number of producers decreased or increased?

Mr. WILLIAMS: We do not have recent figures. These, of course, I think you will appreciate are only census figures, and the last census figures we have are the intermediate figures, but I think it would be a fair assumption to say that the number of producers has decreased.

Mr. STEFANSON: That they are getting larger producers?

Mr. WILLIAMS: Yes, that is right.

Mr. MOORE (*Wetaskiwin*): Mr. Chairman, would you not say, Mr. Williams, the consumer price of turkeys in Canada would depend largely on the price of other meats? That is, if other meats are high, then turkeys in comparison would go up?

Mr. WILLIAMS: Well, I think there is a relationship between the price of all substitutable products, but I think more important, it is the level of supply in respect of some of these products that affects the price more than the price of other products. Certainly the price of other products or competitive products does have an effect, but the major problem of prices in respect of—well, I think of poultry in general—the major factor has been the supply position in this country.

The CHAIRMAN: A supplementary, Mr. Schreyer.

Mr. SCHREYER: Mr. Williams, you said that there was some questioning of the legality of the quota imposition under GATT. Was there any significant number of representations received from the United States Department of Agriculture protesting the imposition or on whose part was there this questioning, by our own people, or our own officials?

Mr. WILLIAMS: Oh, no. Any questioning would have been done by the United States, but I am not at all certain as to the reply that I should give to your question whether there was a significant number of representations. The representations do not come direct to our department. They normally come either through the Department of External Affairs or the Department of Trade and Commerce rather than to the Department of Agriculture. So, I am afraid I just could not give you an answer as to that, but there were representations made.

Mr. SCHREYER: But the department nevertheless was made aware that there was?

Mr. WILLIAMS: That is correct, yes.

Mr. DANFORTH: Mr. Chairman, I have a whole series of questions that I would like clarified. First, I would like it clearly understood that I am willing to give way for any supplementary or any other line of questioning that any other member of the Committee might have at any time. I would like to have

clarification. I understand that we did pass some of the votes last meeting and that we are now on No. 1. Have I the right to deal with any topic that I wish?

The CHAIRMAN: I would think that when you are discussing Item No. 1 this is the general policy.

Mr. DANFORTH: We are now on No. 1 I understand. Do I have leave of the Chair to discuss any subject that I wish under Item No. 1?

The CHAIRMAN: As long as I do not remember that it had been asked before.

Mr. DANFORTH: Well, Mr. Chairman, I make that stipulation, too. If my line of questioning is a repetition I will give you my permission to indicate it to me at once.

At the last meeting my series of questions was directed to the pricing of eggs for a very specific reason. I am very much concerned, as I am sure other members of the Committee are, over the fact that in the last few years—and even few months—a lot of small egg producers have gone out of business, and also a lot of dairymen are going out of business. There are some major problems in all facets of agriculture which seem to be directly economic ones and I am trying, in the realm of poultry production, which is a very important industry, to determine what can be done, or what the major reason is that is causing these good producers to go out of business. In answer to a question that was posed at the last meeting—if I may go back just for a moment to lay a basis for further questions—Mr. Williams, in speaking of the excess or loose eggs that were on the market, and I think I am correct in this assumption, in his testimony stated—and I am going to try and paraphrase it as nearly as I can—that the egg carton market, was a major portion of the market. Because the loose egg market was becoming continually constricted there was, perhaps, a greater price fluctuation from a high to a low than would normally happen under the previous market. Following that line of information, may I ask—since now there are two pricing systems in Ontario and Quebec—how the primary producer is informed of the price of loose eggs on either the Toronto or the Montreal market? If I understand correctly, the determining price for carton eggs wholesale-retail is determined by contacting perhaps the 16 major dealers in Toronto, and I would assume the same system would be followed in Montreal, each day, and from the information supplied to them the department then determines the price which is published. Am I correct in that assumption.

Mr. A. D. DAVEY (*Director, Poultry Division, Production and Marketing Branch, Department of Agriculture*): They report the price.

Mr. DANFORTH: And the Department of Agriculture then releases it to the press or to the trade?

Mr. DAVEY: The Department of Agriculture releases it to the various news media and to the trade who phone in and ask what today's price is reported to be.

Mr. DANFORTH: Is this an average price, as stated, or is it a definite price for outlet?

Mr. DAVEY: This is a weighted average price for cartoned eggs at the wholesale-retail level. We do not report the loose eggs price.

Mr. DANFORTH: This is the basis of my question. Where would a producer obtain the price of the loose eggs.

Mr. DAVEY: From his grading station, basically.

Mr. DANFORTH: And where would the grading station obtain this price? Are there any Toronto quotations? Are there any Montreal quotations now on the price of loose eggs?

Mr. DAVEY: Normally he would get this from—if he is selling through a broker or whoever he sells it to—he would get the price from there. It so happens that today there is a price being reported in one of the Toronto papers and being picked up in the Montreal papers from the Toronto market. It is an unofficial price being reported by members of the trade. This is the loose price.

Mr. DANFORTH: Yes, I can appreciate the system, and the fact that the primary producer normally has no other source of information than at the local egg grading station as to the price of loose eggs, but, from his own newspaper, he can find out what is the price of wholesale-retail eggs? Is this correct?

Mr. DAVEY: He can also find out this unofficial price which is also in this Toronto paper.

Mr. DANFORTH: In the one Toronto paper. Well, may I ask, since it is a two-price system, why it is the department has abandoned the pricing of the loose eggs? There must be some basic reason for it.

Mr. DAVEY: Mr. Chairman, I am not sure in what detail Mr. Payne might have given the history of this operation, but in the development of this program over a period of about three years it was quite evident that as long as we continued to report the loose egg price, which we referred to then as the spot price, as long as that price was reported, all the other prices just followed it because through custom it had been the price which was the indicator. And, as the spot price went through wild gyrations, so all the other price levels also went through wild gyrations, and the only way that we could get away from this situation—speaking in the vernacular—where the tail was wagging the dog, was to cut away from the spot price quotation and use a price quotation which represented a much greater percentage of the eggs going on to the market. We tried through a period of time to report the both of them, but we found it was necessary to eliminate the spot price which represented a much smaller percentage of eggs being marketed.

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): A supplementary, Mr. Chairman. Do most egg producers now use cartons?

Mr. DAVEY: I think it is a fair estimate that it will be between two thirds and three quarters.

Mr. WILLIAMS: I can dig that figure up, but I do not have it here. It is a very high percentage.

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): I wondered roughly whether it was the efficient group of producers who are using the carton system and the smaller, inefficient groups, that are still using the loose system.

Mr. DAVEY: Well, it is the people who are catering to the retail trade, directly to the consumer trade through the large food outlets, and basically eggs sold to the cusumer today are sold in cartons. Now, the person who is not

selling in cartons is the man who takes his eggs to a grading station with no particular home for those eggs in his mind when he takes them to the grading station. He, in a sense, is only producing eggs to sell—where, he is not sure—the ultimate market he is not sure. But, there is an increasing number of producers today who—right from the start the whole operation is on a contract. They know when they start to produce those eggs what channel those eggs are going to be marketed through and on what basis, and those eggs basically go into the carton trade.

Mr. WILLIAMS: I think there is one element of misunderstanding, or possible misunderstanding here. When Mr. Davey uses the expression "cartoned egg trade" he does not necessarily mean that the producer himself packs them into cartons—that they are eggs going to the cartoned egg trade. They will be delivered in general by the producers in crates, but not of necessity. There are some producers who have their own grading, packing facilities where they are packed in cartons right at the plant, but, in general, the term is used to designate those eggs that ultimately end up in the carton.

Mr. DANFORTH: Well, Mr. Davey, I am very interested in this information you gave us on the reasons for this. It certainly makes sense. I understand, however, that between the installation of the basic carton price wholesale-retail in Toronto and the same system used in Montreal, there was a time lapse of perhaps 2½ to 3 years. It was explained by Mr. Payne why this was, that it took time to assess the Montreal market and determine how such a system could be installed there. My question is this: When we had a loose egg price publicized from the Montreal market, and a carton price publicized by the government from the Toronto market, did not this in itself set up a two price system which could create havoc in the industry? May I explain "havoc", Mr. Davey, I am well aware that during the last two or three years, neighbours who have had delivered eggs to the egg market, have received quite a major difference in their return for 30 carton eggs, for eggs of the same grade and standard. I am trying to determine if this was caused by the fact that there were two distinct methods of the pricing of the eggs on this market. Did the fact of the two different types of market quotations sponsored by the government cause this differentiation or make possible this differentiation? I can well appreciate, when you had the two different ones on the same market, how the gyrations on either could cause fluctuations in the other companion price. What is the story when we are dealing with the two main markets, Montreal and Toronto?

Mr. DAVEY: Well, first of all, Montreal is more of a deficiency area, from the standpoint of eggs, than is Toronto. By and large, the outlets in Toronto are set up on a fairly steady flow of eggs, in most of your large chain outlets. In Montreal, even today, under the pricing system that we changed over to in Montreal, they still have eggs coming, or not coming, from as far west as Winnipeg. The people in the Annapolis Valley of Nova Scotia ship varying quantities, some on a reasonably steady basis, but some are what we might call "in and outers", in supplying that market, depending on the day to day needs of the Montreal market. So, you have a much greater variation in the supply or the demand situation on the Montreal market than you do on the Toronto market.

While the Montreal area was on the spot price and the Toronto area was on the wholesale-retail price, there were many people in the far western parts of Ontario that would ship to Toronto or to Montreal, depending on where they could get the best deal on that particular day. The whole thing, to a degree, hinged on the situation in Montreal. As Montreal becomes more self-sufficient, their day to day needs become more definitely established, you are going to get less of this in and outer approach on that market and, at that time the price reporting system that we have put in there now, is going to be even more effective. I would say, referring to what you said earlier, with the imposition of this wholesale-retail basis of reporting that we are doing now, there is much more stability to the producers generally in their returns, than there was when they were attempting to follow the violent fluctuations in the spot price, which could be easily manipulated up and down.

Mr. DANFORTH: By a minor quantity of eggs?

Mr. DAVEY: By a very small quantity of eggs, and everyone suffered.

Mr. DANFORTH: Following along with this explanation, and I think it is the answer to one great criticism that I have become aware of in this very picture, is it possible or has it been possible—this is something that has happened—for the spot price in Montreal to be higher than the carton price in Toronto? Why I say this is that it follows along with the answer you gave about the fluctuating supply in Montreal. We have had complaints out of the province of Quebec, and maybe justifiably so, that at times, tremendous numbers of Ontario eggs are dumped in the Montreal market. I am just wondering if the price is the factor that would encourage more than a normal movement of eggs from Ontario into Quebec at any one time?

Mr. DAVEY: Going back to the early part of your question, the relationship of the spot price in Montreal and the wholesale and retail price in Toronto, first of all, normally your Montreal price is roughly two cents above the Toronto price, because it is a deficiency area and eggs normally flow in that direction, so you have a slightly higher market. Keeping that in mind then, if you are comparing wholesale to retail in Montreal and wholesale to retail in Toronto, then you might get that two cents price relationship. Your spot price on either of those markets, depending on the supply of loose eggs, might come right up underneath the wholesale to retail price, so it is not beyond the realm of possibility that the spot price in Montreal, in rising up to the wholesale to retail price, might have risen above the wholesale to retail price in Toronto or be equal to it. But it does not stay there long, because it goes up and comes right back down again.

Mr. DANFORTH: That clarifies that picture. This answers the question why there could be this abnormal movement for a short period of time.

Mr. DAVEY: There are times when they are that far apart.

Mr. DANFORTH: I have had complaints that the spot price is at times quite a considerable bit lower—and I am speaking of Ontario—than the carton price and that because of this, anyone who is unable to be a supplier to the carton market, takes, on the average, much less price for the eggs, because regardless of their desires, their eggs move on to the loose market. Is the loose market price

normally less than the carton price, and if there is a variance, can you indicate to the Committee how much this could be?

Mr. DAVEY: Your spot price in the Toronto or Montreal market—we will use the Toronto market—as I have already stated, might be right up tight underneath the wholesale to retail price and, if there is an unusual flood of loose eggs, it may be 13 to 15 cents under, when it is going through these wild gyrations which it does.

Mr. DANFORTH: I certainly do not want to put words into your mouth, Mr. Davey, but could this account for—and this is something that is troubling me, and you said up to 15 cents a dozen, which would be roughly $4 to $4.50 on a case of eggs—the difference in two neighbours in an area receiving $4.50—and I have seen this happen, and an even greater amount—difference for eggs on any particular day? Could it be because of the very market that they were destined to?

Mr. DAVEY: We have seen instances where two men on the same concession get widely different prices, because one man in his merchandizing program has tied up with an outlet that is selling a special pack of eggs on to the carton trade, and the other fellow has not been as fortunate in his merchandizing program. As a result of this, his eggs go to the loose market.

Mr. DANFORTH: This is my point, Mr. Davey.

Mr. DAVEY: It is strictly up to the individual.

Mr. DANFORTH: But what I am trying to get at is the basis of how this could happen. I can appreciate if the individual does not take the initiative, or does not get a contract, that this could conceivably happen. But I would like to know how it could happen that two neighbours could receive a differentiation in price at all times on comparable quality and grade of eggs. I want it understood that I am speaking of comparable grades, because there is a tremendous variation in quality coming from various farms, I appreciate that. I am speaking on this very principle.

Mr. DAVEY: There is a quantity factor too, as a variation in price.

Mr. DANFORTH: I can appreciate that. This was brought out at the last meeting, that the difference in quantity could have a difference in premium prices paid, the collection charges, and so on.

Having once established that, Mr. Davey, I would like to move into the other field of the actual pricing of the carton wholesale-retail itself. Because of the fact that the marketing—and I am speaking of Toronto—has been constricted to 15 or 16 major outlets, from which the prices are obtained, is there any possibility of collusion between those outlets to maintain a price? I certainly do not want to put you in a position where you find a question embarrassing. May I rephrase this question in order to give you an opportunity to assess the point I am driving at.

Mr. DAVEY: It is not embarrassing and I would like you to proceed.

Mr. DANFORTH: I want to be absolutely fair in this, because this is a very particular thorny problem, especially in my area. Let me put it this way. There was an instance where over a period of seven weeks, the wholesale-retail price in Toronto remained constant and there was a difference of approximately 20

cents for grade A large quality eggs between what the producer was receiving and what the wholesale-retail price was. During that seven week period, the price paid to the primary producer dropped progressively 12 cents, until there was a differentiation of 34 cents per dozen, yet the price wholesale-retail remained constant. Can you explain or offer any explanation why this could happen?

Mr. DAVEY: I do not have the statistics here to bear out any trend of that nature. All I could say to you in answer to the first part of your question is that in the coverage we get in the Toronto area, we are covering about 80 per cent of the eggs being marketed in the Toronto area in the wholesale to retail area. Among these 16 people, I think there is sufficient competition for the consumers' trade to get away from any collusion among them. There is enough variation in these prices from day to day; that is, all the trade is not on the same price. Here again I am not sure how much detail was explained to you, but in obtaining our price statistics, in covering these 16 people, we find out what volume of eggs is first reported as sold at such and such a price—and here we will speak of grade A large alone—how many cases at such and such a price, and so on. You will find that one supplier might have three or four different prices, depending on the number of eggs his customer is buying. Therefore, we go through that whole operation with these 16 people and by averaging them out for each of these 16 individuals, I think we get a fairly complete and comprehensive picture.

(*Translation*)

Mr. MATTE: It would appear that prices are set by the volume of eggs offered for sale. How is it then that even when eggs are expensive you can get as many as you wish, providing you are willing to pay?

(*English*)

Mr. DAVEY: The question was: How is it when eggs are a high price, there is this—

(*Translation*)

Mr. MATTE: The shortage seems to set the prices. Is that right? How is it that when eggs are dear, you have as many as when they are cheap, depending on what you pay?

(*English*)

Mr. DAVEY: I think the answer there is that your prices fairly definitely tie to your volume. It just goes back to the point that was raised before. You get a flood of eggs coming onto the loose market and down comes your spot price. Supply and demand do have a definite effect. In reporting the movement of prices of the wholesale to retail level, you do not get these same violent changes to a large degree, because most of these retail outlets know about how many eggs they need for their customers each week, roughly at least, and they gear their operations accordingly. So, you do not get the same variation in quantities of eggs moving into the wholesale to retail area, or the cartoned area, as you do in the loose area, the spot price area.

Mr. PUGH: I have a supplementary. Is there a possibility of a marketing board covering egg production and sales somewhat analogous to the British

Columbia tree fruits? In other words, if you produce fruit in British Columbia you sell through a central marketing agency; it is a system of pooling. I am wondering whether it is at all possible that such an organization could exist in regard to eggs. What would be the basic reasoning why they could not go about it that way?

Mr. DAVEY: While I am not referring in my answer specifically to the question of the pooling of prices, the question of the establishment of egg marketing boards is a very active one in producer groups and other groups at the present time. From the philosophical standpoint there is no basic reason in the nature of the trade or in the nature of the production that would say that an egg marketing board could not operate. I believe this was your question, as to whether any basic problem was envisioned in the operation of a marketing board because of the structure of the business.

Mr. PUGH: Well, just on the evidence which has been given as to the possibility of a wide variance of price, for instance, on the Montreal market on spot sales; the history of fruit in British Columbia was a fairly sorry one simply because the market could be broken so very easily by the odd import, but also by production in British Columbia destined to a certain area. This form of getting your goods to market allowed wholesalers to underbid or, to put it another way, cut prices and your fruit, as it was coming on the market from time to time, suffered very heavily in regard to the price the producers received at the end. The British Columbia tree fruit set up under the marketing act has worked remarkably efficiently in obtaining prices. In other words, your competitor is your world competitor, not your own local sales which might be made which undercut the market very quickly in certain spots depending on production.

I am glad to hear, first of all, that it is possible legally, and secondly, that it is under active consideration. This would seem to me to provide a stability with respect to production and quality which should be looked into. We have had a very good experience in British Columbia on this one point. The egg market itself is subject obviously to such a variance, and if you are not tied in with certain wholesalers on a fairly good production, you are likely to suffer and suffer very heavily.

Mr. DANFORTH: To further peruse this, if I may, my information has been that roughly 65 per cent of the eggs in Ontario went into the carton wholesale-retail, and 35 per cent was on the loose. I think Mr. Davey used different figures and I assume that you have this information. Are my figures in this particular area incorrect and out of proportion?

Mr. DAVEY: Well, nobody has the exact figures. We can make some fairly close assessments of the volume which is going through these various areas. I think I mentioned earlier when the question was asked that it was well over 50 per cent, or somewhere in that area. I believe I said two-thirds to three-quarters, which would not disagree too much with what you said.

Mr. DANFORTH: No, but I am to assume then from your answer that my figures could be correct in this?

Mr. DAVEY: Reasonably so.

Mr. DANFORTH: And am I correct in my figures that about 43 per cent of the Canadian egg trade is through the Ontario market? I am speaking of total.

Mr. DAVEY: Roughly, and you may even be a bit low.

Mr. DANFORTH: Well, it is not necessary to have the exact figure if this is a close approximation.

Mr. WILLIAMS: In 1965 Ontario produced 170 million dozen out of 432 million dozen.

Mr. DANFORTH: I am not only speaking, Mr. Williams, of the actual production. I am speaking of the movement of eggs through the Toronto market. I would assume it would be western eggs and perhaps maritime eggs which move through the Toronto market.

Mr. DAVEY: In 1965 there were 7.7 million cases of eggs that went through registered grading stations in Canada, and in that same year in Ontario there were 3.7 million cases.

Mr. DANFORTH: So my figures were close?

Mr. DAVEY: Yes.

Mr. DANFORTH: Is it safe to assume then that since the major portion of eggs are moving through Ontario markets the Ontario market would more or less establish a price for Canadian eggs?

Mr. DAVEY: In actual fact the Montreal market has a greater influence on it because of the size of the Montreal market versus the size of the Toronto market, and the fact that Toronto is more self-sufficient than Montreal, so that the price in Montreal tends to ebb and flow a little bit more. The Montreal market takes eggs all the way from Winnipeg, and a few years ago took eggs from Saskatchewan. It takes eggs from the maritime provinces; whereas the Toronto market is inclined to have their supplies in western Ontario, so their influence is not as broad.

Mr. DANFORTH: Yes. I want to get back to the question of the pricing in Toronto, and, Mr. Chairman, I assure you that I have a very definite object in pursuing this line of questioning. I think, Mr. Davey, you used the figure of 80 per cent, and I think when you used 80 per cent you were referring to the fact that these suppliers which the department obtains the price from in Toronto perhaps handled 80 per cent of the eggs. Now, is that 80 per cent of the carton eggs, or is it the total normal flow of eggs from Toronto?

Mr. DAVEY: Eighty per cent of the carton market in Toronto.

Mr. DANFORTH: Not 80 per cent of the total flow?

Mr. DAVEY: When you narrow this down to the Toronto area alone, let us not confuse the two-thirds to three-quarters we were talking about in the movement of loose versus cartoned eggs in all of Ontario, as against what movement might take place right in the city of Toronto where we were reporting the price. Your cartoned distribution in Toronto represents a very high percentage of the total sales for that particular market. Our source of price information covers roughly 80 per cent of that cartoned trade.

Mr. DANFORTH: Now to get back to this 65-35 basis for that, I want to ask this question: Since the 35 per cent would be through the loose price market, and since the loose market, or the old spot market price could be a difference of

as much as 15 per cent or 15 cents a dozen lower, is it not correct to assume that 35 per cent of the eggs in Ontario could be selling not only at a lower price, but at a lower price which varies to that degree? Is this a correct assumption?

Mr. DAVEY: It is a possibility at certain times. At certain times it could also be giving practically the same price as the wholesale to retail level, as we have also established.

Mr. DANFORTH: Yes, Mr. Davey, I appreciate your answer. May I get at this another way then. Is it correct to assume then—I am speaking now only of the loose market—that the average price that they might expect to obtain in a year's production would be lower than the average price obtained by a producer selling through a wholesale-retail cartoned outlet?

Mr. DAVEY: That is possible because his eggs are going into a different channel for one reason.

Mr. DANFORTH: Yes, but on the basis of the principles you have enunciated you could expect a lower average price for this type of production.

Mr. DAVEY: The second factor I want to add to that is there are less merchandising costs going on to his particular product. A large percentage of his eggs are going into what we call basically the processing channel; they are going into melange and the dried egg trade.

Mr. DANFORTH: I appreciate this. I want to establish more of this principle which I started along this line. Based on the premise which you have put forward, the wholesale-retail cartoned price acts as a stabilization factor on the tremendous fluctuation in the egg price. I can appreciate this and I can understand it, but may I ask, since this statement was made, when there are fluctuations in the loose egg market up and down on any particular day, it does not necessarily follow then that the wholesale-retail cartoned trade moves to that degree?

Mr. DAVEY: Certainly not; it is much more stable.

Mr. DANFORTH: In other words, the supply and demand on any certain day does not affect the cartoned price to the degree it affects the loose egg price?

Mr. DAVEY: That is right. As I pointed out earlier, your supply is much more constant in your wholesale-retail area which represents a high percentage of your eggs marketed, and affects a high percentage of the producers or the volume of product going into that area, and as a result that greater stability is enjoyed by a number of people. The way that your fluctuation is in these eggs which go into the processing, the surplus eggs, it is basically a surplus product which causes the gyrations in the spot price.

Mr. DANFORTH: Is it not a fact also, Mr. Davey, that the very basis on which some of these retail outlets obtain their eggs is a major factor in the stablilization in prices. In other words, they have more control or more of a monetary interest in the eggs they are distributing wholesale-retail? In order not to be misleading, I am speaking now of the fact that there seems to be a trend in Ontario towards the wholesale-retail distributor having a greater control over the eggs, either by contract pricing or by premium pricing. So is this not more to his interest? The point I am trying to get at basically is this, that

supply and demand no longer is a major factor to the degree it was in establishing the price of eggs to the consumer.

Mr. DAVEY: Well, it still has its effect, but to go back to the statement I made a while ago, these people who are merchandising eggs at that level have a rough idea of how many eggs they are going to move each week; they set their business up accordingly. They have these flock owners throughout their area who are supplying them with their product, and they know how many eggs each one of these flock owners can provide each week. That is the businesslike way in which this operation has developed. It has got away from the stage where they did not know from one day to the next what their volume of eggs was going to be, to the point where they know exactly what their volume is going to be, what the quality is going to be and so on, and that is how they built up this industry.

Mr. DANFORTH: I appreciate the mechanics of it, Mr. Davey, but I am at a loss as to how to phrase the question to bring out the very point I am after; perhaps the Committee will bear with me on this. Is it not a fact that some of these wholesale outlets have contracts on the farms; they own the very eggs on the farm itself in some instances; there are various types of contracts. But does the fact not remain that following these eggs right through to the retailer, the retailer buys these eggs in cartons and they have their special brand named eggs and everything, so that at any one time there could be a difference of three cents a dozen on the loose market, or this market? Since he deals in cartons, he is not interested in loose eggs. He is interested only in cartoned eggs, and he is interested more or less now because of the market trends in obtaining these eggs from a source, providing the price is comparable to other cartoned eggs.

Mr. DAVEY: Well, most of these retail merchandisers on occasion may have to buy some loose eggs to augment their other supplies. That does not happen very often. However, getting back to the point you have in mind, there is not the same tendency for integration to take place in the egg business as there is, for example, in the chicken broiler business or also in the turkey business. The relationship between the wholesaler and the producer on your egg marketing program is more on a contract basis than it is on a financial integrated basis. So you do not get the same extended integration in the egg marketing as you do in some of the other commodities.

The CHAIRMAN: Well, that, Mr. Davey, answers that particular area.

Mr. PETERS: I remember reading something in the paper here, and if I could borrow your paper for a moment I would like to put a question to Mr. Williams. There is an article in the paper here relating to the matter we discussed the other day on the milk business. There is a long article by David Scott here which raises a number of points, and I would like to ask Mr. Williams just what this means. It refers to a meeting which occurred between the Ontario minister of agriculture, Mr. Stewart, and the Quebec minister of agriculture, Clement Vincent, with the federal Minister, Mr. Greene. It relates to the tractor strike and this sort of thing in Ontario over milk price, and the fact that we have not been able to accomplish the $4 price. What they are suggesting now to Mr. Greene is that there be an increase in the subsidy on cheese for export, and to raise the domestic price from 43 to 46 cents per pound. They also asked that the

support price on butter be raised from 59 to 61 cents and spray powder from 19 to 21 cents and roller milk powder from 16½ to 20 cents. This will produce a basic price in the provinces of $3.50, which will allow with the federal subsidy a price of $4.25, of which 25 cents is to go towards actually subsidizing the transportation to provide the $4 base on the farm.

Now this hinges also on the difficulty which is occurring between Ontario and Quebec with the 17½ cents summer price and 35 cents winter subsidy that causes a differential between Ontario and Quebec markets. What I am wondering is, how can it be done without changing the stabilization program. If you iincrease the base, which is really butter, from 59 to 61, and the ensuing butterfat prices which might be 97 cents a pound how could we do this federally and what result would it have?

Mr. WILLIAMS: Well, to be specific, under the Agricultural Stabilization Act the board is authorized for a period of twelve months to purchase butter at a base price of 59 cents for 40 score butter.

Mr. PETERS: Is that statutory?

Mr. WILLIAMS: This is statutory. The level is not statutory; the twelve months is statutory, yes.

Mr. PETERS: And the price fixed is statutory for twelve months then?

Mr. WILLIAMS: The price is not covered by the statute itself, but it is covered by an order in council. The statute says that once the support level is established for butter, for example, it must remain in effect for a twelve-month period.

Mr. PETERS: From when to when?

Mr. WILLIAMS: For this particular year it is from the 1st of April until the 31st of March next.

Mr. PETERS: So without changing the statute this is not possible?

Mr. WILLIAMS: Well, you are asking for a legal opinion which I am not in a position to give. My understanding is that it is not possible under the Agricultural Stabilization Act.

Mr. PETERS: But obviously what is going to happen is that it is going to be under your control as Chairman of the Stabilization Board.

Mr. WILLIAMS: Did you say if it is going to happen?

Mr. PETERS: If it is going to happen it would be under you.

Mr. WILLIAMS: Presumably, yes.

Mr. PETERS: And it would likely be by order in council?

Mr. WILLIAMS: Well, as I say, you are asking now for a legal opinion which I cannot give. My understanding of our legal position is that it cannot be changed under the act. Now I think you all appreciate that parliament can do a great many things. For example, the act could be repealed, if necessary, or the act could be amended in order to do this, or action could be taken under some other type of legislation. You will recall last year that the support level for milk was $3.30, but there was a supplementary payment made through a parliamentary appropriation, not through the Agricultural Stabilization Act.

Mr. PETERS: This would have to be by an action of parliament, would it?

Mr. WILLIAMS: Well, I am afraid I will have to say once again that this would be a legal opinion which I would not be prepared to give.

Mr. PETERS: Well the difficulty I find is that I am of the opinion that this matter will have to be resolved, and I am reluctant to close off this debate without knowing what is going to happen. I would think it would look rather stupid if we sat here, discussed this in depth and then found this was not what was going to happen. It is having quite an effect in Ontario at the present time. I am particularly interested in what happens in the province of Quebec because there is a significant transfer of milk from my area across the border between Quebec and Ontario. We discussed butter which is a statutory item. Cheese is not a statutory item in the same sense that butter is?

Mr. WILLIAMS: Yes, cheese is a statutory item. Cheese and butter are the two statutory items under the act; two of the nine mandatory commodities.

Mr. PETERS: Is there a difference between the international market of cheese and the domestic production of cheese? For instance, for years Hector Arnold operated an export marketing agency under the Ontario Cheese Producers, where they sold mainly to the British market. As I remember it, this price was governed to some extent by a payment made on domestic production of cheese to allow the producers themselves to pay a subsidy on exported cheese. I believe there was a joint program between the producers and the cheese factories to allow a supplementary internal payment on exported cheese.

Mr. WILLIAMS: Under the previous arrangement, where the Ontario Cheese Producers Marketing Board operated rather than the Ontario Milk Marketing Board that currently handles this export of Ontario cheese, the Ontario Cheese Marketing Board collected one cent a pound as a levy against all cheese made in Ontario. On that one cent, one-tenth of it was authorized under provincial legislation; nine-tenths of one cent was authorized under federal legislation under our Agricultural Products Marketing Act. The nine-tenths of one cent was used by the board for purposes which could not be authorized under provincial legislation. Included in those purchases was subsidization into export and price equalization.

In addition, depending on the year and the price relationship between the British market, the Canadian market and the national support price for cheese, the Agricultural Stabilization Board was authorized to pay an export assistance. So you are quite correct when you made the statement that they had two sources of funds to move Ontario cheese into export; one was whatever the federal export assistance was, and the other was a producer supported program.

Mr. PETERS: Well, by establishing the Ontario Milk Marketing Board—you keep changing the name so often I cannot keep it straight—did we eliminate the levy?

Mr. WILLIAMS: The levy on cheese at their request was withdrawn, at least the authority for the levy on cheese was withdrawn, but at the present time the Ontario Milk Marketing Board has authority to make a levy against all manufactured milk in Ontario.

Mr. PETERS: Is this earmarked for cheese export?

Mr. WILLIAMS: It is earmarked solely, as far as we are concerned—the use they put it to is a matter of board policy—for purposes for which they could not

collect a levy under their provincial legislation, which could include export assistance and it could include price equalization.

Mr. PETERS: Well you say then that in order to raise the cheese price three cents and the butter price two cents, this could not be done under provincial jurisdiction; it would have to be done under federal authority?

Mr. WILLIAMS: I would say that the possibility of provincial action increasing the price of butter would be very limited, irrespective of the province—I am talking about provincial action—unless all the major butter producing provinces came together on it and took simultaneous action of some sort.

Mr. PETERS: So it would be much simpler, obviously, for the two ministers of agriculture to ask the federal government to do it under federal jurisdiction, partly on the basis that some of the product at least goes for export?

The CHAIRMAN: Mr. Peters, I think there is one thing which the Minister said in the House that we must keep in mind, namely that the federal government could initiate this subsidy, but there would be nothing to stop one of the provinces from saying, "We are going to subsidize our producers" and throw the whole thing out of whack again.

Mr. PETERS: This is what is happening in the province of Quebec right now.

The CHAIRMAN: There is nothing to say that this would not happen again in another six months, which would throw it all out of kilter.

Mr. PETERS: This raises a good point. This obviously must be the function of the other agencies that we really have not paid much attention to, namely the establishment of a national dairy commission. Perhaps this is the role they should play. I am not really sure just what they have done. This may be the stabilizing effect on the—

The CHAIRMAN: I think this is probably true. I interrupted Mr. Williams when he was trying to speak. I think we should let him finish answering your first question.

Mr. WILLIAMS: You asked in your question in respect of both butter and cheese. I said in so far as butter is concerned, in my opinion provincial action could not increase the price of butter. The same answer is not true in respect of cheese. How much it could be raised by provincial action is a different question, at the present time the federal government and the Agricultural Stabilization Board are not controlling the cheese market other than quite indirectly. By that I mean we do not have an active purchase program for cheese the way we have with butter. The cheese market at the present time is well above our support level.

Mr. PETERS: What is the support level?

Mr. WILLIAMS: The support level is 38½cents and the cheese market at the present time is approximately 43 cents in the province of Ontario.

Mr. PETERS: It came down temporarily, to 41 cents a week or so ago did it not?

Mr. WIILIAMS: I am not aware of that, but it is entirely possible.

Mr. ÉTHIER: According to the board, it was sold at 42½ to 43 cents during part of the winter, and the minute the federal subsidy came out at 75 cents a

hundred, the price of cheese went down to 41 cents. Now for the last month and a half it is up to 42½ cents and close to 43 cents.

Mr. WILLIAMS: It depends a little on what type of cheese you are talking about. It did go down, there is no argument about that; it went down the first of the year.

Mr. ÉTHIER: In early May?

Mr. WILLIAMS: That is right.

Mr. ÉTHIER: But it went up again, and I cannot see any reason right now for the cheese factories not paying more thans $3.25 at the price they are selling cheese, regardless of what policy we adopt. Federally, it can be boycotted by any way at all. What the provinces were asking of the Minister last week was that we give an extra 25 cents. Who is guaranteeing us here that the farmer will not object to 25 cents?

Mr. PETERS: This is what we are worried about, that if we are going to subsidize then obviously that subsidization must go back to the primary producer or we fail to implement a proper type of subsidization. The situation developed immediately after we put in the consumer subsidy of 13 cents on butter a year or so ago, where none of this went to the consumer initially. That changed over a period of time until it is debatable how much he got out of it eventually. In the beginning there was a great advantage taken of it by the manufacturing plants.

Mr. BEER: Mr. Chairman, on a question of order, the dairy policy has been clearly announced and established. What we are really dealing with here now is a matter of policy. None of this present discussion has anything to do with the present estimates of the Department. Actually, the matter which we are really discussing here is the conflict between the government of the province of Quebec and the government of the province of Ontario because one government is paying a subsidy and the other provincial government refuses to pay a subsidy.

It would probably simplify the whole thing if the federal government ventured into it and said, "Okay, we are going to increase our subsidization to the point where it will alleviate this situation". But, actually, what we are dealing with and what we are questioning now has to do with policy, and has nothing really to do with the estimates of the present Department. Is this correct?

The CHAIRMAN: I would think you are reasonably correct on this. This is one reason why I think the Committee should be submitting a report. We hope this act of the National Dairy Commission will be formed shortly, and we hope, and I think Mr. Peters will agree with this, that it will overcome some of these difficulties. It will be more national, and it will cover the whole nation probably for the marketing of dairy products. This is something long overdue. I think this is very obvious from all of the questions submitted. The problem does not only concern dairy products, but a great many other products which have to be marketed nationally under the control of the senior government. I think this is one of the things we should be considering in a report to the House.

Mr. PETERS: Mr. Chairman, I probably am not familiar enough with it to be more concise, but I think the difficulty with which we are faced is the imbalance

which has occurred in segments of the agricultural economy that have not been able to take advantage of the 75 cent subsidy we put on recently which was supposed to produce a $4 base price for manufactured milk. This has not been accomplished.

Mr. Vincent also agreed to discontinue the separate milk subsidy of 17½ cents during the summer and 35 cents in the winter if the floor price came into effect. What he was actually saying was that if the federal government is going to find the means of establishing that $4 price for the farmer, he will not rock the boat between Ontario and Quebec. If you left this on and we change it, we will just move the whole thing up, but we have not really got rid of the problem.

The reason I think the questioning is in order is that Mr. Williams, in his dual capacity, will be involved obviously in administering this if there is any change because it is going to have to be done, as I see it, under the Stabilization Board. His role as assistant deputy minister puts him in the position of being able to indicate the relationship the new dairy commission will have in nationalizing the problem, rather than leaving it in the—

Mr. ÉTHIER: Mr. Chairman, on the point of order which Mr. Beer brought up, I think we are out of line completely in discussing what is on the paper.

Mr. BEER: If there is any change, to use the words of the honourable gentleman, then in my opinion the very words that take it out of our realm of responsibility place it over in the policy area.

Mr. PETERS: There is no argument that this is policy, and it is hypothetical, to some extent, except I think it will happen before we are back in the fall. I would like to know just how it can be implemented and what the results are going to be. Sometimes it would be better to discuss these things before they happen than necessarily after.

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): Mr. Chairman, on that point, I do not quite see how we can clear up this realm of possibility which Mr. Beer is talking about. If something does happen between now and the fall, then we will be able to discuss it in this Committee because this Committee is empowered to discuss supplementary estimates, and supplementary estimates would be required if anything were done between now and the fall.

The CHAIRMAN: I would think that members would have an opportunity during the recess, when it does come, to discuss this directly with their marketing groups. I know that your marketing groups have practically all of this information; you could go to nearly any one of the secretary managers of any of the marketing boards which are organized and find out this information. I do not think there is a more informed group, especially in the dairy group as far as that goes, that has nearly every bit of this information at their fingertips. The report which was submitted and which you received in the mail the other day is one of the most comprehensive reports on the dairy industry. If we had time to read some of these things before we came back in the fall, we would be better informed. I am sure if the government does do anything, even if it is by order in council, that it certainly will not be to the disadvantage of the producers, realizing something is necessary to overcome this chaotic situation. We would certainly go along with whatever decision is made.

Mr. BEER: Mr. Chairman, may I ask a question? There has been some discussion informally in the Committee as to whether there is any advantage in passing vote No. 1. If we pass this vote, does this enable the steering committee of this Committee to prepare a report to present to the House? If we do not pass vote No. 1 now, to what extent do we embarrass the steering committee or the chairman of the Committee?

The CHAIRMAN: The only thing I can say, if I am informed correctly, is that we could pass the items, excepting item No. 1, and submit them to the House without a report. However, if we pass item No. I we follow the instructions of the House to study estimates and submit our report at the same time. The initial estimates are finally sent to the House. If we recess this week, these estimates still have to be approved by the House and they will be discussed in the House when they come back in the fall, but they will not be able to discuss them in the House until we finally pass them. Several committees have submitted their estimates; the report says they have studied them, and then they submit a report along with them. This is the only thing I have in mind which would expedite it. We would be ready to discuss these in the fall, and then the Committee could further discuss agricultural problems confronting marketing. Practically everything else you would like to discuss is under the supplementary estimates which, I hope, would be referred to the Committee at that time.

Mr. BEER: So that members really do not lose any right at all if these estimates are passed at this time. Is this correct?

The CHAIRMAN: What I have in mind is that the meeting this afternoon will be held in camera. I have prepared a report for the steering committee, with several suggestions that members have submitted to me which they want the steering committee to consider. If they have any further suggestions then the whole Committee will meet in camera, and if any of them have any suggestions they should be made in this report. This will be done this afternoon or this evening, and then we will submit our report to the House tomorrow.

Mr. BEER: May I move, as a Committee, that we approve the estimates of the Department of Agriculture in order to enable the steering committee—

Mr. DANFORTH: Mr. Chairman, I want to raise a point of order before this motion is ever put. My point of order is this: I have been patient; I have allowed supplementary questions; I have been criticized for taking up the part of this Committee and, Mr. Chairman, if I had been allowed three more minutes I would have completed my question on age. If there had been no other questioners, Mr. Davey or Mr. Payne would not have been requested to return. I think it is not fair to these men to discuss procedure, which is a matter of the steering committee, at this particular time. As far as a motion is concerned, Mr. Chairman, a motion, while in order, cannot be put when we are not sitting with a quorum.

Mr. BEER: Mr. Chairman, if the honourable member would like to see this concluded, let us wait for three more minutes and proceed with the questioning.

The CHAIRMAN: There is a quorum of members here, and I am sure the Committee will agree, if you can sum up your line of questioning—

Mr. DANFORTH: Mr. Chairman, this sums up my line of questioning as far as eggs are concerned. However, I indicated two meetings ago that I had a whole

series of other subjects that I wished, when the opportunity presented itself, to ask at the Committee. As far as this tremendous haste to wind up the proceedings is concerned when the House is not going to be sitting and cannot take any action, I resent very much.

The CHAIRMAN: Then you do not want to submit your three minutes of questioning. You have had 35 minutes at this meeting, not all at once, but I timed each member as he spoke this morning, and you have had 35 minutes of the meeting. I am sure the Committee is quite willing to give you three more minutes if you want to submit your line of questioning.

Mr. DANFORTH: Mr. Chairman, all I wish is to end up at this meeting so that the questions I have are not carried over from meeting to meeting on the pricing of eggs. If I had another three minutes I could complete this whole questioning on the realm of eggs.

Then, Mr. Chairman, with your permission if I might continue. It is hard to base questions when there have been intervening questions, but I have no resentment in this regard. I would like to take this opportunity of personally thanking Mr. Davey and Mr. Payne for their patience in answering questions. Their answers have been very frank and very complete; I have no objection. However, may I ask Mr. Davey this question?

Since we are operating basically on a two price system in Ontario, and it is to be instituted in Quebec—and I do not think there is any objection to my using this phrase "two price" when we have a cartoned price and a loose egg price—are we not getting into the same realm of difficulties that we are in in the dairy business where we have fluid milk and manufactured milk? Are we not reducing the egg production industry to this pitfall when we have 65 per cent of the egg production in Ontario going into one particular market, and perhaps 35 per cent into another particular market, and the one price being of a superior price over the other? In other words, it almost looks as though there is going to be a class 1 and a class 2 producer of eggs under this pricing system.

Mr. WILLIAMS: I think I would have to say, Mr. Danforth, if you will permit me to answer that part of the question, that it would appear that the industry is getting into that, and it is not as a result of our reporting system. Our reporting system is endeavouring to recognize the fact that this has developed, and to bring increased stability to the industry. Whereas before the spot price brought rapidly fluctuating prices to the entire industry, at least the new method of reporting, in our opinion, has brought some greater degree of stability to quite a significant portion of the industry. However, I must say categorically that it does appear the industry itself is developing along the lines you have suggested, yes.

Mr. DANFORTH: Mr. Williams, I have certainly no quarrel with your résumé and your observations in this regard. I think they are well founded and I think they are correct.

Now, may I ask this further question? Since it is my considered opinion, after hearing the evidence which has been given to us, that the reason for a large number of poultry producers going out of business is because of the fluctuations in price—and I appreciate the fact that the very economics today would put a certain percentage of poultry producers out of business normally; there is an in and out in this regard—have there been any representations made

or any projected activity on behalf of the government on a federal level which could conceivably correct this situation? Has the industry itself made representations in this regard?

Mr. WILLIAMS: I am not absolutely certain I understand the question. Was the question whether the industry itself had made representations to the government to reverse the trend or to halt the trend of movement among the industry from small to large?

Mr. DANFORTH: No. This is not the object of my question.

Mr. WILLIAMS: I am sorry then, I missed it.

Mr. DANFORTH: My question is based on the fact that the industry—and it could be up to 35 per cent—is in economic jeopardy because of the very actions of the market itself. Has the industry itself in any form brought forward suggestions, or a suggested manner in which corrections could be made to overcome this variance in pricing?

Mr. WILLIAMS: I do not believe the industry has made any direct or indirect representations to the department in respect of a price reporting system which would tend to eliminate this problem or reduce this problem or this trend.

I think I would have to say that the answer I gave to Mr. Pugh in response to his question is that the industry is trying to see whether they can develop a scheme within themselves which will do something towards price equalization across the various segments, and that is they are giving consideration to the validity and usefulness of the establishment of marketing boards for their industry.

Mr. DANFORTH: I certainly do not want to embarrass the witnesses by delving into the realm of policy, and I am trying to phrase my question so that this does not occur. However, may I ask, is it the opinion of either Mr. Williams or Mr. Davey that under the present system which is operating now in Ontario and in Quebec there will be more and more of the percentage of production falling into this category so that the problem will gradually be eliminated or alleviated, or is there any progress in this matter whatsoever?

Mr. PAYNE: I think what is going to develop in the poultry industry is that you are going to get two definite channels, even more definite than we have today, namely eggs for the table trade or carton trade, and eggs for the processing trade. Now, you are going to get specific flocks set up for the egg processing trade. There may be no relationship whatsoever, or little relationship in the prices paid in those two channels, depending on the demands of the particular channel. I think this is going to be the trend in the years to come. This will happen more as the trend further accentuates itself. I think the question was raised at a previous meeting, did price reporting have an effect on the numbers of flocks? If you go back as far as 1951 into your Dominion Bureau of Statistics census figures, you will find that you had roughly 389,000 flocks; in 1956 you had 336,000 flocks and in 1961 you had 223,000 flocks. This was before we got into any changes in price reporting. It is estimated that by 1966 we will probably have 185,000 flocks, so we have cut our numbers of flocks in half over a period of 15 years. This trend has been going on for years, and it is likely you will get that further accentuated.

Mr. DANFORTH: May I have your figures? I think you gave 1961 and 1965 or 1966. Was there not a 50 per cent reduction in that period?

Mr. PAYNE: In 1951 there were 389,000 flocks—these are just round figures—in 1956 there were 336,000 flocks, and in 1961 there were 223,000. Our estimate in following that curve off is that by 1960, in this census which is now in progress, we will probably end up with about 185,000.

Mr. WILLIAMS: I am sure Committee members will be interested in a very brief statement I would like to make. The Agricultural Stabilization Board was very concerned about just these things. What motivates people? Why do they go in and out of business? Why do they expand? Why do they contract? At that time we had some 90,000 registered egg producers in Canada which, of course, did not compare very well with the figures quoted per flock. However, I think you will appreciate, as far as the census are concerned, that if a man had two hens he would be listed as being a hen owner. But we did have nearly 91,000 registered poultry producers at that time.

We sent them questionnaires and we asked quite a few questions which we thought would help us in reacting decisions in respect of our price support program. I think there were two things that came out of it which may be of interest right along this line; namely that only 12.5 per cent of the people responding—and obviously not all responded to it because of the 90,000, a great many people had gone out of it or changed business—said they had no other major farm enterprise.

Another question we asked was, what factors affect your management decisions in respect of your size of operation; whether you would contract it, expand it, or leave it the same for subsequent years. The survey showed that listed in the order that they listed them in, the factors were feed costs, current prices and last year's income.

The interesting part of it was that 42.5 per cent of the producers indicated that they had increased the size of their flock, and 34.2 per cent of them indicated that they had cut back the size of their flock. Those figures are not the same, but they are not that far different. So obviously producers were interpreting the guideposts, shall I say, quite differently in that very close to the same percentage of them made opposite decisions presumably based upon the same factors, which all led the board to the conclusion at least that the decision was pretty much a neither-nor one; things were pretty well in balance in so far as the poultry industry was concerned with regard to whether it was or was not a good thing for people to be in, and it depended more on the efficiency of the individual operator and his own personal preferences, obviously, than it did upon these various factors.

Mr. DANFORTH: I have one further comment to make, Mr. Chairman. Once again I want to express my personal thanks to Mr. Williams, Mr. Davey and Mr. Payne for their patience and frankness in their answers, and it does clarify many of the questions which the industry requested I ask on their behalf.

Mr. BEER: May I present my motion now, Mr. Chairman?

The CHAIRMAN: That item 1 be adopted?

Mr. BEER: Correct, and that the steering committee be enabled to prepare a report to present to the House as directed.

Mr. YANAKIS: I second the motion.

Mr. DANFORTH: Mr. Chairman, I would like to speak on this motion and ask for clarification. If this motion is put, may I ask when I will have the opportunity to present my further questions as a Committee member?

The CHAIRMAN: Well, this does not mean that the Agriculture Committee is being disbanded; the Agriculture Committee is reconvening in the fall. It also means that the agricultural estimates will be discussed in the House. You understand the rules of the House that agricultural estimates, along with all other estimates, cannot be discussed any longer than 30 days. However, there is nothing to stop agriculture from being discussed one, two or three days; it all depends on how much time other estimates take in the House.

Mr. DANFORTH: My understanding was that the idea of the committee was to expedite the progress of the House. If this is the case, I would much rather ask my questions in the committee when I have the opportunity of directing them to the various members of the Department of Agriculture under whose responsibility the particular policy lies. I would much prefer in this instance to direct my questions in this fashion than in the House where I have an opportunity only to ask my questions of the Minister himself. I still see no reason why there should be this tremendous haste to curtail the questions of the committee.

May I point out, Mr. Chairman, the very fact that there has been the announcement with regard to the sugar beet industry, it is one of the main topics I wish to discuss with Mr. Williams. Certainly the news we have received over the past few days could have quite a decided bearing on the sugar beet industry. For this reason I must dissociate myself from the motion, and perhaps it will be necessary for the Opposition to dissociate itself from the report when it is brought up in the House because of the fact that we are being curtailed and not allowed to ask these questions to which we are entitled.

The CHAIRMAN: As Chairman, I want to be as fair as possible to this Committee. If any member of this Committee thinks I have been curtailing anybody in their line of questioning in the 32 meetings, I do not think this would be fair. We have a large Committee, the largest of the House and many of you know I have had a long association with farm organizations and, as you are, Mr. Danforth, an agriculturalist, an agronomist, a peasant farmer, whatever you want to call us, my interests are agricultural as much as anyone else. I am sure every member of the Committee has an interest in agriculture or they would not be on the Committee. I would think the people in agriculture are concerned in respect of the members progressing with their work. If we leave the estimates hanging in the air, nothing is summed up, nothing constructive is suggested. It is my idea, and I think the idea of many members of the Committee, that we should be suggesting something constructive in our report to the House, and we have an opportunity.

I may say that over the weekend I had several calls, as you probably did, about the sugar beet industry. I think this warrants clarification, probably by the government. I made several inquiries before I went home and I understand that the Caribbean countries are essentially not expecting the Canadian public to get cheaper sugar through this, and I think this was intimated by some press reports. However, the Caribbean people are most concerned that this 29 cents a

hundred be returned to Caribbean producers and for the benefit of Caribbean producers solely. These people are living a substandard way of life, and it is the intention of the top government people I have spoken to that it will not mean cheaper sugar for Canadian people, but a betterment of the way of life for the Caribbean people.

I think if you will check the records, you will find that you, of all people, Mr. Danforth, have little reason to complain about the amount of time you have had in this Committee.

Mr. PETERS: Mr. Chairman, I have one point. Could I ask the Clerk, if he has the supplementary estimates available, if item 1 is on those supplementaries? I would be prepared to support the motion if it were only on that basis; it would be a step to wind up some of them. However, without the assurance that item 1 was on a supplementary—

The CHAIRMAN: Item 1 is on.

Mr. DANFORTH: Mr. Chairman, have we the assurance that the supplementaries are going to be referred to this Committee.

The CHAIRMAN: Your Chairman hopes that he is persuasive enough to bring this about.

Mr. DANFORTH: But we have no guarantee, Mr. Chairman.

The CHAIRMAN: There are a lot of ifs, but in Parliament or any place we have no guarantee that we will be back here in November or October, as far as that goes.

Mr. PETERS: You are not suggesting we are going to have a repetition of last year?

The CHAIRMAN: No. We do not know what may happen to us during the recess as far as that goes. I would think that we can rest assured from the discussion which has taken place here, the concern of members, that we do discuss the supplementaries. This will certainly be brought to the attention of the Minister. I told the Committee I discussed it with him, and he certainly was not of the opinion that we would not be discussing supplementaries. One other committee has already had supplementaries submitted to it for discussion. I understand this will be the policy with several committees.

Mr. ÉTHIER: Mr. Chairman, could that not be made a condition, that the supplementary estimates would be—

The CHAIRMAN: No. You have to follow the instructions of the House. We could make a suggestion in the report.

Mr. ÉTHIER: You could not make it a condition?

The CHAIRMAN: No.

Mr. DANFORTH: Mr. Chairman, before the question is put, if I must speak on a point of order I intend to speak. You have spoken about my allocation of time in the committee. I certainly have absolutely no criticism at all as to the allocation of time you have given to me whenever I indicated a desire to speak; I have no argument there whatsoever.

My sole argument is on behalf of various segments of the agricultural industry whom I, as well as many other members, represent; that I have been

unable and will be unable, if this course of action is followed, to ask questions which they have requested that I ask at this particular time.

Now I have no recourse but to express my objection to this motion being taken because I am as yet convinced that it serves no useful purpose as far as agriculture is concerned, in spite of the explanation you have given as to why it is so very necessary. I think the trade and agriculture itself are going to find it very difficult to appreciate why it was necessary to hasten in this regard, and I want to be on record as taking extreme objection to this course of action. This is the very first time in years that the estimates of the Department of Agriculture have ever been submitted to the Committee for perusal. This is the very first time I know of that any government has taken action to close the proceedings or the interrogation in a committee on agriculture before the members themselves—

The CHAIRMAN: May I interrupt. If the Committee decides to close, it is not the government, it is the committee made up of all parties. This is to the benefit of committees as far as I am concerned, and also the Committee will not be meeting when the House is in recess. We could say the same thing about the House going on recess; that we should not even have a recess in Parliament. I daresay we can do much good in a recess in our constituencies studying the problems of agriculture.

We have simply put the officials through a questioning period which I think is new to all of us. It has been an experience for all of us and it should be an advantage for all of us. We should submit a report for the benefit of agriculture. I do not believe we should, as I said earlier, leave this hanging in mid-air. I think I have been very fair to you on your point of order at this time. I am going to ask the committee for the question.

Mr. STEFANSON: Just before you put the question, Mr. Chairman, you intend to submit a report, not just to approve the estimates?

The CHAIRMAN: No, that is right.

Mr. STEFANSON: I was on another committee that did the very same thing; they decided to close up all of a sudden and report the estimates.

The CHAIRMAN: No, I have no intention of doing that. I have about a ten page report already prepared.

Mr. STEFANSON: I felt the committee was doing wrong at that time; that if a committee served in that purpose you were destroying the committee system.

The CHAIRMAN: No. I think I clearly intimated that we want to submit a report with several, I hope, constructive suggestions for Parliament. All those in favour?

Motion agreed to.

The CHAIRMAN: We meet at 3.30 here to discuss this report. The Steering Committee is meeting at one o'clock, and we will expect any suggestions that any committee member has this afternoon when the Steering Committee report is submitted to them.

The committee adjourned.

OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-67

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 27

FRIDAY, DECEMBER 9, 1966
TUESDAY, JANUARY 31, 1967
SUNDAY, FEBRUARY 5, 1967

Respecting

The Annual and Supplementary Reports of the

CANADIAN WHEAT BOARD

for the Crop Years 1962-63, 1963-64, 1964-65

WITNESSES:

From the National Harbours Board; Capt. B. D. L. Johnson; *From the Board of Grain Commissioners:* Mr. F. Hamilton; *From the Pacific Grain Transportation Committee:* Mr. Bill Riddell; *From the Alberta Wheat Pool:* Mr. H. K. Moen; *From North Pacific Shipping:* Mr. H. Craig; *From Louis Wolfe & Sons (Vancouver) Ltd.:* Mr. Albert White; *From Canadian Pacific Railways:* Mr. J. N. Fraine.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

24803—1

STANDING COMMITTEE ON AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Cadieu (*Meadow Lake*),[1]
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Côté (*Nicolet-Yamaska*),[2]
Mr. Crossman,
Mr. Danforth,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Gundlock,[3]
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*),
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. Madill,[4]
Mr. McKinley,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

[1] Replaced Mr. Éthier on Friday, January 27, 1967.
[2] Replaced Mr. Matte on Thursday, January 26, 1967.
[3] Replaced Mr. Herridge on Friday, February 3, 1967.
[4] Replaced Mr. MacDonald (*Prince*) on Friday, January 27, 1967.

CORRIGENDA

Proceedings No. 13—Twesday, June 7, 1966.

The name of Mr. Yanakis should be included in the membership.

Proceedings No. 23—Tuesday, July 5, 1966.

Evidence—

At page 859, line 25 "meat branches" should read "mink ranches".
At page 874, line 2 "Meat" should read "mink".

Proceedings No. 22—Thursday, June 30, 1966.

Evidence—

At page 841, line 2 "readers" should read "breeders".
At page 841, line 11 "taste" should read "case".

ORDERS OF REFERENCE

TUESDAY, December 20, 1966.

Ordered—That the Standing Committee on Agriculture, Forestry and Rural Development be granted permission to adjourn from place to place within Canada and that the Clerk and necessary supporting staff accompany the said Committee.

THURSDAY, January 26, 1967.

Ordered—That the name of Mr. Côté (*Nicolet-Yamaska*) be substituted for that of Mr. Matte on the Standing Committee on Agriculture, Forestry and Rural Development.

FRIDAY, January 27, 1967.

Ordered—That the names of Messrs. Cadieu (*Meadow Lake*) and Madill be substituted for those of Messrs. Éthier and MacDonald (*Prince*) on the Standing Committee on Agriculture, Forestry and Rural Development.

FRIDAY, February 3, 1967.

Ordered—That the name of Mr. Gundlock be substituted for that of Mr. Herridge on the Standing Committee on Agriculture, Forestry and Rural Development.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House of Commons.

24803—1½

REPORT TO THE HOUSE

FRIDAY, December 9, 1966.

The Standing Committee on Agriculture, Forestry and Rural Development has the honour to present its

FIFTH REPORT

Your Committee recommends that it be granted permission to adjourn from place to place within Canada and that the Clerk and necessary supporting staff accompany the said Committee.

Respectfully submitted,

EUGENE WHELAN,
Chairman.

(Concurred in December 20, 1966)

MINUTES OF PROCEEDINGS

FRIDAY, December 9, 1966.
(35)

The Standing Committee on Agriculture, Forestry and Rural Development met *in camera* at 9.45 o'clock a.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Clermont, Crossman, Danforth, Gauthier, Gendron, Godin, Herridge, Honey, Hopkins, Horner (*Acadia*), Forbes, Lefebvre, MacDonald (*Prince*), Moore (*Wetaskiwin*), Peters, Ricard, Whelan (17).

The Chairman informed the Committee that the Subcommittee on Agenda and Procedure had met on Wednesday, December 7, 1966 and wished to make the following report;

Your subcommittee has the honour to submit the following as its

SIXTH REPORT

Your subcommittee met on Wednesday, December 7, 1966 and wishes to make the following recommendations:

1. That the Committee travel to Western Canada to hold further hearings on the Canadian Wheat Board;
2. That the Chairman report to the House requesting permission to adjourn from place to place within Canada;
3. That the Clerk and necessary supporting staff accompany the Committee and that reasonable living and travelling expenses be authorized;
4. That the Chairman, along with the subcommittee on Agenda and Procedure plan an itinerary and make necessary arrangements and report from time to time to the Committee.

Discussion arose on the report and several members suggested that the Subcommittee consider including Vancouver on the itinerary.

Later, on motion of Mr. MacDonald (*Prince*), seconded by Mr. Hopkins, it was

Agreed—That the Sixth Report of the Subcommittee on Agenda and Procedure be adopted.

At the request of Mr. Danforth the Chairman pointed out that the Committee could not go to Grosse Île quarantine station for several reasons. However, the Chairman said that the Committee might have such an opportunity to go to Grosse Île in the Spring prior to the dispersal of the cattle.

At 10.00 o'clock a.m., the Chairman adjourned the Committee to the call of the Chair.

TUESDAY, January 31, 1967.
(36)

The Standing Committee on Agriculture, Forestry and Rural Development met *in camera* this day at 7.45 o'clock p.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Berger, Coté (*Nicolet-Yamaska*), Clermont, Comtois, Crossman, Danforth, Forbes, Gauthier, Gendron, Godin, Grills, Hopkins, Johnston, Jorgenson, Laverdière, Lefebvre, McKinley, Moore (*Wetaskiwin*), Muir (*Lisgar*), Neveu, Noble, Nowlan, Olson, Peters, Pugh, Rapp, Ricard, Stefanson, Schreyer, Stafford, Tucker, Watson (*Assiniboia*), Whelan, Yanakis (35).

The Chairman reported that as ordered by the Committee on Friday, December 9, 1966 the Subcommittee on Agenda and Procedure had drawn up an itinerary for its proposed Western tour for the Committee's consideration. He outlined it as follows:

Saturday, February 4, 1967.	p.m.—Depart Ottawa for Vancouver
Sunday, February 5, 1967.	p.m.—Meeting of Committee
Monday, February 6, 1967.	Tour of Grain handling facilities and Vancouver harbour. Depart for Calgary.
Tuesday, February 7, 1967.	Visit feed lot and feed mill in Calgary area. Meeting of Committee. Depart for Regina
Wednesday, February 8, 1967.	Visit country elevator, farm service centre, livestock yard and government terminal elevator in Moose Jaw. Meeting of Committee.
Thursday, February 9, 1967.	Depart for Winnipeg. Tour Board of Grain Commissioners facilities. Meeting of Committee.
Friday, February 10, 1967.	Tour Canadian Wheat Board facilities, and Winnipeg Grain Exchange. Meetings of Committee.
Saturday, February 11, 1967.	Depart for Lakehead. Tour of grain handling facilities. Informal meeting of Committee.

The Chairman then went on to name the witnesses who it was planned would appear before the Committee.

The Chairman then asked the Clerk of the Committee to introduce the supporting staff who were accompanying the Committee.

Later, after discussion it was

Agreed—That the research paper on the grain trade prepared by the Research Branch of the Library of Parliament be printed as an appendix (*see Appendix I*).

There being no further business, the Chairman adjourned the Committee to the call of the Chair.

SUNDAY, February 5, 1967.
(37)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 7:41 o'clock p.m. in the Ball-room of the Georgia Hotel, Vancouver, British Columbia. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Cadieu (*Meadow Lake*), Clermont, Comtois, Côté (*Nicolet-Yamaska*), Crossman, Danforth, Forbes, Gauthier, Gendron, Godin, Grills, Gundlock, Hopkins, Johnston, Jorgenson, Laverdière, Lefebvre, Madill, McKinley, Moore (*Wetaskiwin*), Muir (*Lisgar*), Neveu, Noble, Olson, Peters, Pugh, Rapp, Ricard, Schreyer, Stafford, Stefanson, Tucker, Watson (*Assiniboia*), Whelan, Yanakis (35).

In attendance: *From the National Harbours Board*: Captain B. D. L. Johnson, Port Manager, Vancouver, and Mr. W. E. Pickering;

From the Board of Grain Commissioners: Mr. F. Hamilton, Chief Commissioner, and Mr. W. J. MacLeod, Secretary to the Board;

From the Pacific Grain Transportation Committee, Department of Transport: Mr. Bill Riddell;

From the Alberta Wheat Pool: Mr. H. K. Moen;

From North Pacific Shipping: Mr. Harry Craig;

From Louis Wolfe & Sons (Vancouver) Ltd.: Mr. Albert White;

From the Canadian Pacific Railway: Mr. J. N. Fraine.

The Chairman reminded those present that the Committee was in regular session and that the same rules and procedures applied at this meeting in Vancouver as they do in Ottawa.

The Chairman then called the Annual and Supplementary Reports of the Canadian Wheat Board for the crop years 1962-63, 1963-64, 1964-65 which were referred to the Committee by order of the House of Commons made on Thursday, June 2, 1966.

After making an opening statement, the Chairman called on Captain B. D. L. Johnson to introduce the officials present as witnesses.

Later it was *agreed* that the Committee would proceed by hearing the statements of the witnesses and when all were finished, to question them.

The Chairman then called Mr. F. Hamilton who spoke to the Committee on the organization and functions of the Board of Grain Commissioners. On completion of his presentation, it was

Agreed—That the submission prepared by the Board of Grain Commissioners entitled *Organization and Functions* be made an appendix to the Minutes of Proceedings and Evidence. (*See Appendix II*)

Agreed—That the Chart prepared by the Board of Grain Commissioners showing *Average Costs of moving Wheat, Canada to the United Kingdom Seasons of Navigation 1933 to 1965* be made an appendix to the Minutes of Proceedings and Evidence. (*See Appendix III*)

Captain Johnson was called and he spoke on the Vancouver Harbour and Grain Facilities.

Mr. Bill Riddell was called and spoke on the work of the Pacific Grain Transportation Committee.

Mr. H. K. Moen was called and spoke on Terminal Elevator Operations.

Mr. Harry Craig was called and spoke on the Role of the Ship's Agent in Grain Shipping.

Mr. Albert White was called and spoke on the Role of the Stevedoring Company.

Mr. J. N. Fraine was called and spoke on the Role of the Railway Company.

Agreed—That there be a thirty minutes adjournment so that the Committee can watch a film entitled *Grain Handling in Canada.*

Mr. Hamilton pointed out to the Committee that the film was some years out of date and had been prepared for the Board of Grain Commissioners.

The Committee adjourned for thirty minutes.

On resuming the Chairman, Mr. Whelan, called the Committee to order and the members proceeded to question the witnesses.

Later the Chairman thanked the witnesses for their help and co-operation and thanked especially Captain Johnson and Mr. Pickering for their help in facilitating the Committee's trip to Vancouver.

At 11:15 o'clock p.m., there being no further questions of the witnesses, the Chairman adjourned the meeting to the call of the Chair.

Michael B. Kirby,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

SUNDAY, February 5, 1967.

The CHAIRMAN: Gentlemen, I will call the meeting to order. Some people were under the impression that this would not be a formal meeting. However, it is a formal meeting, and I would ask all members and those who will be making presentations to make sure that they speak into the microphones.

First of all, I would like to say that the ordinary rules of procedure followed at committee meetings in Ottawa will be followed here. We are here under an order of the House of Commons made on Thursday, June 2, 1966: that the annual and supplementary reports of the Canadian Wheat Board for the crop years 1962-63, 1963-64 and 1964-65 be referred to this committee for consideration and study, and to report back to the House.

I am sure that I speak for all committee members, although I would not try to speak on their behalf at all times, when I say that we are happy to be here in British Columbia and in the city of Vancouver tonight. I know that the committee will benefit greatly by its presence here.

May I say that this is one of the largest committees of the House of Commons, with representation from coast to coast. We are endeavouring to learn as much as possible about the operations of the wheat board. We feel, at the present time, that wheat is probably the nation's most important product, and when we report back to the House we want to be as well-informed as possible.

As I stated earlier, this is a fact-finding trip, not a junket, and if you check the itinerary you will realize that perhaps members will have to have a week off, on their return to Ottawa, to rest up.

I will now turn the meeting over to Captain Johnson of the National Harbours Board, who will introduce those who are making presentations tonight.

Captain B. D. L. JOHNSON (*National Harbours Board*): Thank you, Mr. Chairman. First of all, I would like to thank you gentlemen for coming to the city and the Port of Vancouver. It is seldom that we have a chance to welcome such a distinguished group of people. Just to show you how pleased we are to have you here, we have put on one of our usual nice days for you. This is one of our better days. We probably will get back to normal tomorrow and put on a real Vancouver day for you; if you are going to be out, it is sure to rain.

We hope that the agenda that we have prepared for tonight will give you a picture of the movement of grain from the time it leaves the railway car until it leaves the port of Vancouver in a ship. We have people here who will trace the ship into the dock; we have people here to tell you how the ship is prepared and how she is loaded; we have people here to tell you how the terminals are run,

and we have the railway people here just in case you want to find out how it got there.

I think you probably all know Mr. Hamilton of the Board of Grain Commissioners. I am the port manager here for the National Harbours Board. Bill Riddell is here; he is a pretty terrific person in when it comes to the grain movement through this port. He has come out of retirement twice, when we have experienced minor difficulties getting our grain to move freely through the port. On each occasion he has done a wonderful job; he got rid of our jams very, very quickly indeed, as he has just done with our last one. Next we have Mr. Moen who is the tall, distinguished grey-haired gentleman at the far end of the table. Mr. Moen, of the Alberta Wheat Pool, runs the largest single grain terminal in the port of Vancouver and some of you will be his guests tomorrow when you visit his elevator. He will tell you all about grain terminals. Harry Craig, the handsome gentlemen on my port side here, knows more about shipping grain out of the port of Vancouver than anybody else here, and he will explain the movement to you. He might have a slight Chinese accent but that is because he has been dealing with them for so long. Alberta White, besides being a yachtsman, is one of Louis Wolfe's superintendents in the port and like Harry Craig, knows all about shipping, as well as knowing all about putting the grain in the ship. Last, but not least, is Jack Fraine, who represents the railways. If there are any questions you have to ask about railways, he is the man who can give you an answer.

The CHAIRMAN: I want to thank Captain Johnson for introducing these people to us. Some of the older members of the committee will recognize most of these people by sight and knowing their past history, will know how qualified they are.

We will ask Mr. Hamilton, the Chairman of the Board of Grain Commissioners, to start off the proceedings tonight.

Mr. DANFORTH: Mr. Chairman, on a point of order, are we going to be allowed to question after each speaker finishes with a specific part of the movement, or would you prefer that we wait until the entire program is finished?

The CHAIRMAN: We propose to hear the entire program and then have a general question period, at which time any of these gentlemen may be questioned. In this way the meeting will be kept moving as fast as possible. Would members jot down any questions that come to their minds as these gentlemen are making their presentations.

Mr. F. HAMILTON (*Chief Commissioner, Board of Grain Commissioners*): Mr. Chairman, members of the committee, I bring you greetings from the Board of Grain Commissioners. I want you to know how pleased we are that this committee has made the trip west to take a first-hand look at this part of our country's grain industry. I know your visit to western Canada will be enjoyable and worthwhile.

I would like to introduce some of my associates: Mr. W. J. MacLeod, Secretary of the Board; Mr. Martens, Assistant Secretary; Mr. A. H. Wilson,

General Manager of Canadian government elevators; and Mr. Jack McLean, inspector in charge, West Coast.

This evening I wanted to start off with a brief summary of our work. Then we proposed to show you a 20-minute film entitled "Grain Handling in Canada". Unfortunately, there has been a problem with the projector. The film will be available later on and we will be pleased to run it for you, if you care to see it.

The Canada Grain Act of 1912 created the Board of Grain Commissioners to administer the act. The Board consists of three members: myself, Mr. Svoboda and Mr. Shuttleworth, whom you will meet in Winnipeg later. Our board staff totals just over 1,000, and they are spread from Halifax and Saint John in the Maritimes to Vancouver and Prince Rupert on the west coast. We have some 200 resident on the west coast.

The Board of Grain Commissioners, with their chief officers and their staffs, have, in a broad sense, supervision of the farmers' grain from the time it arrives at the country elevator until it finally reaches the world's markets. Within this field there is embraced the elevators themselves, the elevator agent, weighing, inspection, grading and transportation of the grain, binning of the grain at the initial point and at the terminals, the weighing and grading out of cargoes from the terminals and the preservation of the grade until, accompanied by Canadian certificate final, the cargo is stowed aboard the ocean vessel. Beyond this, we are responsible to answer all overseas complaints regarding out-turn weights and quality on Canadian grain.

I can say, without fear of contradiction, that Canada has the finest grain inspection service in the world. We are the only country that sells all our grain on the strength of a piece of paper. The overseas buyer may never see a sample of the grain he buys, and Canadian grain is not subject to arbitration. The Board of Grain Commissioners has the responsibility, in a general way, of seeing that the producer gets fair treatment at the hands of the country elevator agent; that he gets proper grades and accurate weights, no matter where his grain is sold or delivered in the licensed system. For example, at the west coast, every bushel of grain that is received or shipped from these terminals is weighed and inspected by a member of the Board of Grain Commissioners' staff. While at all times it is essential that the Board act impartially and fairly as between all interests, it keeps the interest and welfare of the producer uppermost to ensure that he is fully protected in his rights under the Canada Grain Act.

The fundamental principle of the act is to ensure that in the movement and sale of Canadian grain, the interest of the producer is protected and that a uniform high quality product moves into both domestic and export markets. In administering the act on the basis of the above principle, Canada, as a result of a combination of a climate, that is adapted to the growing of high quality wheat, and well-conceived legislation for the handling of grain, has been able to achieve a reputation in the world markets that is the envy of our major competitors. With foundations such as these, and keeping in mind the fact that this is now a billion dollar business, we can, if we are mindful of the needs of the industry, look forward with confidence to ever increased production and expanded markets.

Thank you very much, Mr. Chairman, that is all I have to say just now.

The CHAIRMAN: You heard what Mr. Hamilton said about the film. If the projector is available later in the evening, after the other speakers have completed their presentations, I think we should see this film.

I will now ask Captain Johnson, of the National Harbours Board, to make his presentation to the committee.

Mr. JOHNSON: Gentlemen, we are going to project a portion of a map of the port of Vancouver on this screen to assist you to orient the little map you have in front of you. If you look almost in the centre—as a matter of fact it is the fourth fold over—you will note where we have marked the Second Narrows. I can orient this projection by that Second Narrows bridge. At the present time we are down here, not indicated on this map. There will be buses outside the hotel tomorrow to take you over to the North Shore via the Lions Gate bridge. Your itinerary shows 8.30 a.m. because among other things, we would like to show you the longest parking lot in Canada, which is at the Lions Gate bridge. About that time in the morning there will be 7,000 or 8,000 cars snarled on their way to the heart of Vancouver, and that is why we call it the longest parking lot in Canada.

After you emerge from there and sometime before lunch you will be over here. The purpose of this tour is to take you right around and show you the main grain facilities in the port of Vancouver. The first one is at Burrard Terminals, which has about 1.6 million bushel capacity. Next you will see is the new Sask Pool, which is in the process of being built right now, it looks very impressive in its present state and you will see it as you drive by. Then you will go across our relatively new Second Narrows bridge to the Alberta Wheat Pool, where you will be hosted by Mr. Moen. This is the biggest terminal and one of which we are justly proud because it ships out a lot of grain. I will not talk very much about the next stop because, when you see it, you will know the reason. It was put there by Chief Capilano. He was the Indian who was here when Captain Vancouver came.

As you move on from there, you will come to a complex. You will actually see two grain elevators. The Alberta Pacific people operate these. They have their own grain elevator, and they lease the National Harbours Board no. 1 grain elevator and our annex. This is a really sizeable complex. Some of you will be left off here; others will be left off at another location, and then we will go on to the United Grain Growers elevator, which is a recent purchase from the National Harbours Board. Don MacRae will act as your host there. Dick Richardson also will act as a host. There will be three separate parties. Later, a bus will pick you up and take you to lunch.

The final one, located at this point on your map, is our National Harbours Board elevator. It is strictly a wheat elevator, is presently operated by the Sask Pool, and it is one elevator which puts out one hell of a lot of grain. I think it puts more wheat out than any other export elevator in the world.

Gentlemen, that is all I want to say about your tour tomorrow except, unfortunately, we are unable to act directly as your hosts. The National Harbours Board will be your host for lunch. Mr. William Benson will take over from me because I am going back to Ottawa, just to see if it as cold back there as they say it is.

The CHAIRMAN: Thank you, Captain Johnson. I should inform you, Captain, that the committee is taking credit for bringing the sunshine to Vancouver.

Mr. Riddell will make his presentation at this time.

Mr. William RIDDELL (*Pacific Grain Transportation Committee, Department of Transport*): Mr. Chairman, and gentlemen. I have had the honour of appearing before you on several occasions in the past number of years in my former capacity of assistant chief commissioner of the Canadian Wheat Board. I am pleased to be here this evening in my temporary capacity as Chairman of the Pacific Grain Transportation Committee, and I hope that I can be of some assistance to you in furnishing information regarding the transportation and handling of grain through Pacific coast ports.

The main port through which the bulk of Pacific coast grain shipments is handled is, of course, the port of Vancouver. This port has a total of seven elevators, with a rated storage capacity of approximately 22 million bushels, and this will be augmented by five million bushels when the Saskatchewan Wheat Pool elevator, now under construction, is completed next year. In addition, the ports of New Westminster, Victoria and Prince Rupert each have one elevator, the three of which have a combined rated storage capacity of three million bushels. The effective working capacity of the elevators is about 25 per cent less than the rated capacity. The present elevators have thirteen berths at which ocean-going vessels can be placed for the loading of grain. The elevators in the port of Vancouver are served by the Canadian Pacific Railway and/or the Canadian National Railway. The latter railway has no trackage of its own in the city of Vancouver, but uses the trackage of the Great Northern and Canadian Pacific Railway for switching cars of grain from Canadian National lines to the elevators located in the Vancouver harbour area. The elevators at New Westminster and Prince Rupert are served also by the Canadian National, while this company also transports from Port Mann, by barges, all cars of grain to be unloaded at the elevator in Victoria.

One of the exceptional features to be noted concerning the elevators at Pacific coast ports is that they are called upon to perform the combined functions of the Lakehead, the St. Lawrence River and east coast port elevators. Practically all grain received here comes direct from Prairie country elevators by rail; it requires cleaning and sometimes drying, before shipment, and is then loaded directly into ocean-going vessels for export. The only exception to this is grain which has been unloaded and cleaned in transit at interior government elevators operated by the Board of Grain Commissioners at Calgary, Edmonton, Lethbridge, Saskatoon and/or Moose Jaw. With the exception of the latter grain, all grain received into the elevators at Pacific coast ports is graded inwards on the basis of the primary inspection standards, but is graded outwards on the basis of the export standards. On some occasions, difficulty does arise in shipping out the grain at the same grade as it was received into the elevators, by reason of the diffierences in the two standards. Occasionally, losses and embarrassment have resulted through no fault of the elevator operators concerned.

Some criticism has been expressed regarding the handling and movement of grain at and through Pacific coast ports, particularly when stoppages have

occurred. From my knowledge and experience here, Mr. Chairman, I am pleased to say that, bearing in mind the elevators are operated on a year-round basis, which is not the case at the Lakehead, lower lakes, St. Lawrence and east coast ports, they are maintained in a high state of efficiency, well managed, staffed by experienced, competent and co-operative labour and perform a high degree of service in the economy of Canada. I should also add to this that, in my opinion, the performance of the railway companies has been most exceptional, in spite of the many difficulties with which they have had to contend at various times of the year in bringing such huge quantities of grain over the mountain ranges separating the prairies from the Pacific coast.

Some indication of the movement and handling may be of interest to you. For example, in the crop year 1965-66, a total of 127,000 cars, loaded with wheat and other grains, were shipped to and unloaded at Pacific coast elevators. In the same period, grain received, cleaned, treated as required and loaded into ocean vessels for export shipment, totalled 236 million bushels, which was a record performance. Another example, and record, is that in the month of March 1966, 15,500 cars were received and unloaded, and a total of almost 30 million bushels was loaded to vessels and shipped for export during that month.

Some suggestion has been made that the grain could be shipped in greater volume through the use of bulk-loading facilities at the Pacific coast. Under present conditions this system, in my opinion, would not be workable because it must be kept in mind that grain arrives here on a primary inspection basis, requiring cleaning and treating before becoming available for export. The use of bulk-loading facilities would necessitate the cleaning and treatment of the grain at some interior point and its movement forward, in trainload quantities, of suitable grades ready for loading to vessels. This would prove uneconomical since it would add greatly to the cost of the movement. As an example, it presently costs over 6 cents per bushel to stop off and clean, at interior elevators, grain destined for shipment from Pacific coast ports.

Mr. Chairman, I trust that the foregoing remarks may be of some interest to you and your committee, and I shall be very pleased to answer any questions which you may wish to direct to me.

THE CHAIRMAN: Thank you, Mr. Riddell. We will now hear from Mr. Moen of the Alberta Wheat Pool.

Mr. H. K. MOEN (*Alberta Wheat Pool*): Thank you, Mr. Chairman. Gentlemen, it is a pleasure to be given the opportunity to speak to your group on behalf of the terminal elevator operators. I will purposely try to keep away from details and dwell only on general conditions. You should now have in your possession of a folder which gives an account of the details at the Alberta Wheat Pool terminal. I would like to warn you at this particular time that the drawing that is projected on the back only generalizes and is not an actual photo or illustration of the actual plant. As an example, the picture shows only one dumper where there are three. It also shows two cleaners when there are actually 57; one receiving leg when there are three; and one shipping leg when there are four. It does give the movement of the grain from the first receiving point at the track sheds and the general flow to the receiving scales, through the cleaners, and onto the shipping conveyors out to the boats.

What is the actual purpose of grain elevator terminals here at the west coast? Their function is to receive, store and ship bulk grain. At the west coast, terminals are all equipped with the best terminal cleaning machinery. The grain we handle requires cleaning, sometimes drying, separation of different kinds of grain, rethreshing of whole heads, removing of weed seeds, stones or other foreign material. Our terminals here differ from the type that are operating at the various ports on the St. Lawrence River because they are referred to as transfer houses. The grain they handle does not require cleaning, drying, separation, de-stoning and so forth. The terminals at the Lakehead are equipped much the same as we are for cleaning and processing the grain. We differ from the Lakehead in our shipping facilities. The Lakehead loadings are mostly to vessels known as lakers, which are much like the bulk loaders we receive here, except we are loading where a tide rises and lowers to a considerable extent. The lake is there pretty well all the time. A few ocean-going vessels that are loaded at the Lakehead create a great hindrance to their rate of loading. The vessels we receive can be classified, broadly, in three types, namely, bulk loaders, conventional carriers and tankers. You will hear more details about this from our friend, Harry Craig, of the shipping agents and Albert White of the stevedoring companies.

I want only to draw you attention to the great difference in shipping time required of our terminals for the loading of ocean-going vessels. I will have to base this on the wheat that goes through an Alberta Wheat Pool terminal, and I will use an eight-hour shift. We can nicely load 10,000 to 12,000 tons to a bulk loader or self-trimmer which in bushels is 370,000 to 450,000, or 5,000 to 7,000 tons to a conventional vessel, which is about 185,000 to 260,000 bushels; or to a tanker, which has numerous holds to fill, requiring a lot of trimming, wherein we may load as low as 200 tons in an eight-hour shift to 2,000 tons, as a pretty good day on these tankers, 7,500 bushels to 75,000 bushels. The common guide of capacity used at our terminal is that we can load out, in eight hours, two bulk loaders and self-trimmers what we can unload from boxcars in 12 hours and clean in 20 hours. The average unloads from the Alberta Wheat Pool in eight hours are 120 cars or about 250,000 bushels. During two cleaning shifts of eight hours, each, we process and clean about 200,000 bushels. Oil seeds are slower to clean, but we have 18 extra cleaners to handle these over and above the cleaning capacity I have given you.

Seasons that have a lot of tough and damp grain slow the rate at which grain can be processed. Cars of grain containing mixtures of different kinds of grain, require extra runs over different kinds of cleaners to get it clean to export standards. Grain arrives at the seaport terminals in railway cars. The most common are boxcars, but lately there have been a few gondola cars and hopper-tank cars. The operation commences with the railroad leaving the cars in the receiving area. There are numerous tracks, track sheds, car hauls, a trackmobile at one terminal—which is a machine that works on the rails and moves the cars, car dumpers or power shovels and receiving pits. The car dumper locks the car in place on a track platform and is rocked back and forth until all grain is spilled out through the doors. The grain flows through a floor grating into a large pit

below each dumper. It takes about six minutes to dump a boxcar. These pits each hold a full carload of grain. Where dumpers are not employed, a power shovel is used. This is merely a board drawn through the grain by cables, powered from a winch, pushing the grain out of the doors. After cars are unloaded, they are pushed out and the next one pulled in, and this is mainly done by winch and cable. A conveyor belt runs lengthways under each pit and carries the grain away in a flow, regulated by a gate along the bottom of the pit. The grain drops off the pit belts onto conveyor belts and is carried into the terminal building to be conveyed into the receiving elevator leg. As the grain approaches this leg, a machine, known as an automatic sampler, continually dips up a small portion so that a good average sample of each incoming shipment can be retained until the grade has been established. The three receiving legs and four shipping legs each have an elevating capacity of approximately 15,000 bushels per hour, but this will vary between terminals.

The grain drops from the top of the receiving leg, through a garner, and into a smaller structure mounted on a scale. When the scale hopper is full, the gate at the bottom of the garner is closed while a government weighmaster weighs the grain in the scale. He then instructs this to be released by means of a gate in the bottom of the scale hopper, and draws the remaining grain from the garner, weighs it and issues a weight certificate to cover each carload. The garner and scale hopper combined will hold the largest carload of grain. The size of garners and scales varies from terminal to terminal.

I would like to point out to you at this time, reiterating what Mr. Riddell said to you, that all weighing, sampling and grading are done under the close supervision of the Board of Grain Commissioners. The taking of samples and the grading is done by the Board of Grain Commissioners' grading department. The grade and percentage of dockage are placed upon the carload of grain as it is received into the elevator. The government graders and government weighmasters also handle all the weighing and grading on outward shipments going to the boats. After leaving the weighing scale, on receiving grain from the boxcars, the grain drops by gravity down spouts in the bins, over the dryers or cleaners, or onto conveyor belts that carry it horizontally to cleaner bins further from the incoming leg. If the grain received is tough or damp it is directed to the dryers. We are equipped with two dryers which have a normal combined capacity of 2,000 bushels per hour. All the terminals here have drying facilities of some type. After the grain is dried it is then directed to the cleaners, where the grain is separated from the various types of foreign material referred to as screenings. If grain is dry at the time of receiving, it is directed straight to the cleaners because it is not necessary to take the route through the dryers.

Our own grader, looking at a dip sample off the belt, which is unofficial, advises the man on the scale floor, who directs the cleaner operation. The man directs the flow of each car of grain to the various types of cleaners that are required to remove the foreign material or other grain found in this carload, based on the findings of his sample. The areas of this movement from scale to cleaner bins or storage bins is best seen in a diagram, or the actual inspection, which you will be able to see in tomorrow's visit to the terminals.

The majority of incoming grain goes directly to the cleaners on arrival. It normally takes about 16 hours to clean the amount unloaded in an eight-hour period. After leaving the cleaners, the grain passes into another elevating leg. It is taken to the top of the building and dropped into a clean grain garner. It is spread from there, by gravity, onto horizontal conveyor belts which run across the top of the storage bins. A machine, known as a tripper, is set to divert it from belts to the appropriate bins. When a ship is berthed and ready for loading, the proper grade of clean grain is drawn from the storage bins onto conveyor belts that carry it to a shipping leg. Here it is elevated into a garner by the shipping scale and weighed by the government weighmaster. It is then dropped into a direct shipping tank, which is sealed by padlock by the weighmaster, so that no grain may be added or taken from that which he has weighed. From the shipping tank, it is fed onto a conveyor belt that runs the length of the shipping gallery, and from this it is diverted by tripper into a spout that flows to the proper ship's hold.

There are automatic samplers at the head house in the galleries that get a good average sample, on which the government graders can establish the grade and assess any impurities that may be in the sample of grain being exported. From this they issue their government grade certificates. We hear many proposals that grain should be cleaned on the prairies, in country elevators or on the farms, or through municipal seed-cleaning plants. From a commercial standpoint we do not find this to be a practical arrangement. I will agree with you that the amount of dockage shipped could be reduced but due to the many problems in cleaning, it is impractical to have a vast number of kinds and types of cleaning equipment required to do the complete job at each elevator or receiving point. As an example, straight sieve machines can remove small weed seeds, dirt, sand or dust. For the removal of larger cereal grains such as oats or barley from wheat, a cylinder machine gives the best result. The cleaning of oil seeds requires very specialized equipment, and even the best commercial machines we can buy still leave much to be desired in reaching the cleanliness demanded by the outward shipping tolerances.

We have eight kinds of cleaners and there are many more. Each of these machines can be equipped with different sizes of screens. One problem the terminals have, on export shipments, is in respect of the standard of quality required by the regulation of the Board of Grain Commissioners. I refer to a difference on the tolerance of inward grading compared to a much stiffer regulation on export shipments. I think you should be advised that all grading is done after the sample has been put over a very specialized machine to remove all the dockage from the sample. This machine does a much better job than can be accomplished by commercial cleaners. On grading of certain kinds of grains, even hand picking is tolerated which, of course, cannot be duplicated by any commercial machine.

There is often reference made to bulk loaders, and I am repeating here what Mr. Riddell said. In the first place, we could only handle clean grain. There could be no blending done to average out protein and quality, as it varies greatly from different districts across the prairies from year to year. Grain which grades

into one statutory grade, coming in, may not ship out as that grade. If you were to use inland terminals, the stop-off charges add to the cost of handling.

This also is repetitive of what Mr. Riddell said, and I hope you will bear with me. The licensed capacity of terminals on the west coast is about 25 million bushels. I have included all of them, Prince Rupert, Victoria, New Westminster and Vancouver, with 5 million bushel under construction—the new Sask Pool terminal. This is licenced capacity, but the actual working capacity is only 80 per cent—I am a little more generous than Mr. Riddell; he only gave a working capacity of 75 per cent—or about 20 million bushels. Last year was a record handling year through the British Columbia ports, with just over 236 million bushels. The previous largest handling was 226 million in 1963-64. The month of March 1966 was a record month, 25.3 million bushels were shipped out of Vancouver ports or 29.6 million out of all B.C. ports. At this rate, it would be possible to ship through the ports something in excess of 300 million bushels. However, we want you to know that conditions were favourable for getting a record volume through these ports. Ships were plentiful and waiting their turn to be loaded. The railroads were doing an exceptional job; they had a large number of cars under load, waiting to be unloaded at the terminals. Admitting that conditions were favourable for the terminals, it does prove that a tremendous volume can be handled through our terminals, if conditions are favourable.

If you have any questions after the rest of the speakers have spoken, I would be pleased to try to answer them. Thank you, Mr. Chairman.

The CHAIRMAN: Thank you, Mr. Moen. We will now have Mr. Harry Craig, North Pacific Shipping, describe the role of the ship's agent in grain shipping.

Mr. Harry CRAIG (*North Pacific Shipping*): Mr. Chairman, members of the committee and gentlemen, I trust that the remarks I propose to make are not too detailed but an agent's work, in handling grain ships and other types of vessels, can be, on occasion, very involved with a lot of detail.

I will, in the simple terms I know, try to explain to you where an agent comes into the act, when a vessel is fixed to carry a cargo of wheat, grains of any kind, oil seeds and so on, from this port. Naturally, the first time we get into the act is when a principal advises us that he has fixed a particular ship for a particular cargo from Vancouver. He will at that time advise his agent of the expected time of arrival of his vessel, the name of the charter or shipper, which we can sometimes find out on our own, the dead weight of the cargo to be lifted and the type of cargo—whether it is wheat, oil seeds and so on. The agent would then contact the shipper and confirm the details of the vessel and the cargo as he has received it from the owner. He would then, in all probability, contact the B.C. grain shippers clearance association and confirm the grades and so on, always hoping that when the ship gets here the grades will be available and there will also be a berth. You gentlemen may have read in the paper recently that a berth around here is about as scarce as hen's teeth, due to the congestion we have had. I think that has received enough national publicity.

We would contact the stevedore, advise him of the details of their ship and the details of the cargo. Then, as time goes on, we contact the master of the vessel by wireless. We would (a) acquaint him with the type of grain he is

loading, the stowage factor of the grain—X number of cubic feet to a long ton, (b) ascertain whether the ship is fitted and in all aspects ready to load on arrival, (c) ask him his ETA, get his cash requirements, ask him whether he needs bunkers, and so on. Now as to whether he is fitted, as Mr. Moen said, there are numerous kinds of vessels. You have oil tankers, the conventional tween deck vessels, self-trimming bulk carriers and bulk carriers. They all have their various peculiarities, and the ship that requires the most work, as far as my friend Albert White the stevedore, is concerned, in most cases is a tanker or a conventional type vessel, requiring grain fittings, in some cases throughout the entire vessel. With a tanker, goodness only knows what is involved, it depends what it has carried on the previous voyage. I will let him touch on that part of it.

If a ship comes in here when the harbour is congested, or if, by chance, there is a shortage of the required grades, we would put the ship into what we term a lay-by berth, where we would fit for grains in accordance with the requirements of the Department of Transport, whose representative here is the Port Warden. At the same time, of necessity, the ship has to be inspected by a Department of Agriculture inspector.

I will now cover the arrival procedure. When a ship comes close to the coast, we order a pilot through the local office of the B.C. pilotage authority. We have to notify the quarantine station at Victoria and advise them where the ship is from; whether she is in ballast, and so on. They are often inspected just off Victoria; in fact, the quarantine inspector boards with the pilot, and examines the ship's quarantine certificates, vaccination certificates of the crew, and so on. To enable the master to come into the port with all his documents, we mail out to the pilot station the customs and immigration forms that are required, so that when he comes in here he is already to be received by these officials.

On arrival, amongst other people who would board the ship, who have a direct interest in the loading of the cargo, would be the Port Warden, the Department of Agriculture Inspector, the stevedores, and so on. Also, there would be the ship chandlers and bunker suppliers. You can just imagine the requirements of some of these vessels.

If the ship is all ready to load and she has been passed by these two government agencies, then the duty of the agent, in accordance with the charter party covering this cargo of wheat that would be loaded, is to present a notice of readiness. You want to get that notice in right away because the time of this certificate governs your position in—a word we do not want to use too often, but we have had them line-up. At the present time the line-up is next to nil; we are in a happy position with regard to grain shipments. We present a notice of readiness to the shipper or the charterer. The company buys the certificate from the Port Warden and the Department of Agriculture. The charter party, in most cases, specifies that these two certificates are necessary, so that lay time will commence on the vessel whether or not the ship is in berth.

The duties of the Port Warden covers fittings on the vessel, whether they meet government regulations, whether the stability calculation of the vessel has been properly worked out on the appropriate form, if such a thing is required—this also depends on the type of vessel, and the Department of

Agriculture inspector inspects the vessel for cleanliness and makes sure that it is insect free.

If we find, after a vessel has been passed, that there is no loading berth immediately available, then we arrange to put the vessel out to an anchorage. That is one thing that my friend, Captain Johnson, here does not charge us for; we get a free anchorage. After all, a ship of approximately 500 feet in length would cost about $225 a day just to stay alongside a berth, doing nothing. You try to protect your owner to the extent that, as you are going to have to move out anyway, to go to another berth, you put the boat out to anchorage and save him a few dollars.

As I said earlier, we work on a seniority basis. When a ship is passed, the records are kept by the clearance association, and the time is based on the passing time by the vessel by the post warden and the Department of Agriculture. The clearance association keep a record or these readiness times, and then they allocate the berths.

When the loading berth is available we have to make the necessary shifting arrangements and notify the stevedores. Coming into berth, we make sure that the grain has been released at the elevators. Prior to going into the berth the stevedores, in conjunction with the master of the vessel and his chief officer, have arranged the stowage. Sometimes we are loading two or three grades. Sometimes we load a mixture of wheat and oil seeds. An expression commonly used here in the trade is a "grocery store" order, where you can have, as some of my elevator friends here know, little drabs of this grade of seed and that grade of seed, rape seed, flaxseed, wheat, barley and whateveer. If there is more than one loading berth involved, which is usually the case, then we have to arrange to work the vessel in such a way that we get the maximum eight hours work at one house and have her in the next elevator for the following morning. These ships, as you know, are worth a lot of money and, of necessity, it may be advantageous to your owner—after all, the agent is the owner's local representative—to work overtime. This is not the cheapest thing in the world sometimes. Some of these ships get up around the 30,000 ton classes, they are worth a lot of money per day to an owner and he is most reluctant, naturally, to see them sitting around here doing nothing. When we can save a day or two days, it is money in his pocket. If it is possible, we do work overtime which, in turn, helps the next vessel waiting.

On completion of loading the vessel, the next man, one of the most important fellows, is, again, the Port Warden. This is the man that must be satisfied that the grain has been loaded in accordance with the federal regulations for loading bulk grains. He must make sure that the vessel is not overloaded, that its hatches are well secured and that he has no slack hatches, although on certain ships you can load slack in a hatch. He issues the clearance. We enter a ship at the customs when she comes in, and when we clear a ship we also must clear with the customs. If we have not met the requirements of the Department of Transport and Port Warden you just do not clear your ship; you just stay here.

We, the agents, apart from putting the parties who have had dealings with the vessels, paying their accounts and so on, have to obtain receipts from the

master and chief officer of the ship for its cargo. We have to issue bills of lading, statements of fact, lay day statements, have the master sign for all the expenses he has incurred in the port, because these vessels do spend a lot of money in a port, apart from the cost of stevedoring, bunkers, ship-chandlery accounts and so on. It amounts to a lot of money.

After sailing, we naturally have to advise the owner what his ship has done. Of course, during the process of loading we also keep him informed. We cable the owners the cargo details; the time of arrival ot his first port of discharge; make sure the necessary documents are mailed to the owner, his agents at the ports of discharge; compile disbursement accounts for the owner, always hoping that he has put you in money. There are numerous other things that one is called upon to do, from looking after sick sailors to arranging with the ship-chandlers, repatriating crew and so on.

I have given you a very sketchy run-down. I am sure, for those of you who are not familiar with our work, there are undoubtedly some questions you would like to ask. I would be very happy to do my best to answer, Mr. Chairman, at the completion of the discussion.

The CHAIRMAN: Thank you, Mr. Craig. We will now hear from Mr. Albert White of Louis Wolfe & Sons explain the role of the stevedoring company.

Mr. ALBERT WHITE (*Louis Wolfe & Sons, Vancouver*): Thank you, Mr. Chairman and gentlemen. We have the grain in the port of Vancouver now in good condition. Because the idea is to get this grain to its destination safely and in the best of condition, the carrier of this ship has to abide by certain federal regulations. The most important regulations are those of the Department of Transport, and these are administered by the Port Warden. These regulations were formed by SOLAS, which means safety of life at sea. This international organization establishes the rules, the capacity of ships, the fittings required for each particular type of vessel, and all the problems pertaining to fuels, ballast, water and everything like that. In order to have a clean ship, the Department of Agriculture, which is a federal agency, boards the vessels and sees that the ships are clean. They inspect these ships very minutely. They wear a light on their head and go to every possible corner, and, believe me, there are lots of them. If a ship has carried grain from the south, especially from the Gulf of Mexico, it is usually infested. When the Department of Agriculture inspectors find these insects, they insist the ship be fumigated or sprayed. If there is any residue of grain left in any part of the ship, they give orders for its removal. They leave instructions to the Master of the Ship. The Department of Agriculture are the only people who can tell a master of a ship what to use to clean his ship. It is the only department that can do this. The Port Warden can advise but he cannot demand. The Department of Agriculture can demand this, and it is quite evident that it is paying good dividends because our grain is arriving in good condition and we have very, very few complaints. I think they are making a tremendous effort.

They have to issue certificates for all these detentions. They advise what to use the fumigate, spray or whatever it is. When this is all done, they issue certificates, and so that there is no confusion or problem, everyone gets these.

When a ship comes to Vancouver and we board it, the master and stevedore try to agree on some working plan so that the ship can load at the various elevators as quickly as possible and with the least amount of shifting from one elevator to another. It depends on how the wheat board has brought the grain in. Sometimes one elevator will have enough of one grain but not enough of another, so the ship has to move to where the grain is. Consequently, this creates delays. However, these are problems we are faced with every day. Now, if there is congestion in the port the ship may have to wait for a particular elevator because there is another ship there.

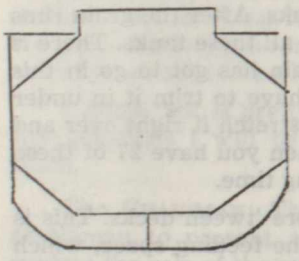
In the course of loading vessels, we handle over 30 kinds of grain. We have wheat, barley, oats, rye, and in oil seeds we have rapeseed, mustard, as well as the by-product, the pellets, which are now being developed in quite numerous amounts. These different amounts are sold in specific lots, which means, if one hold of a ship will take 4,000 or 5,000 tons and they are only shipping 2,000, that you have to put two kinds of grain in one hold, which requires a separation. These are the delays that the elevator people complain and over which we have no control. However, these are the things that have to be put up with.

Problems with loading the ships include tides, which we have here in Vancouver, that range from zero up to sixteen feet, higher than this room. Now, if a ship comes in light and you have a high tide, there is a range of over 60 feet from a low ship to a low tide. It is higher than most telephone poles. This is the range of heights that we have to contend with for the galleries of the elevators, which means that some elevators cannot receive some ships, especially tankers. When a tanker is ready for loading, it has no ballast in it and it cannot go to anchorage because it would be unstable; consequently, the spouts will not go high enough to accommodate some of these tankers. These are problems that we overcome with different elevators.

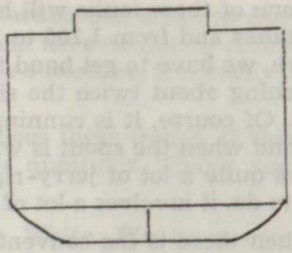
Another serious problem here in Vancouver is the weather: rain, rain, rain. If a ship has gear we rig up tents that will cover up the whole hatch. These tents will cover, say, half this room, and when they get wet, they get pretty heavy. If a ship has no gear, and there is no way of rigging up a tent, we have to use tarpaulins and maybe open up the hatch a little bit so we can keep the rain out. If grain gets wet then the grain board is down on our necks like a ton of bricks. Consequently, there are delays because you cannot rig up and run grain at the same time. However, we manage to get by.

I would like to use the blackboard to show you the three or four basic types of ships that we load. This is a self-trimming bulk carrier. In other words, you just put the spout in here and run the grain up until it fills up, and when it is full you cover over the hatch. There is really no problem; it is all the same kind of grain and there is no separation. It is just a matter of filling it up. These types of ships have from five to seven holds. This is the modern type of vessel which can take anywhere from 20,000 to 40,000 tons. We loaded a ship here not so long ago that took in 44,000 tons of grain. The pool elevator, I think, created a record on that. I think it was about 40 hours for 44,000 tons, which is pretty good going.

Next is the tanker. It has two bulkheads, fore and aft, running the full length of the ship; they are divided across the ship, making from 27 to 30 tanks.



SELF TRIMMER



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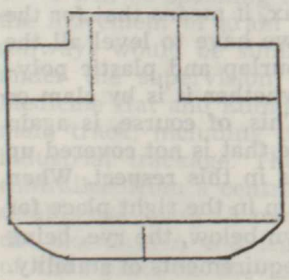

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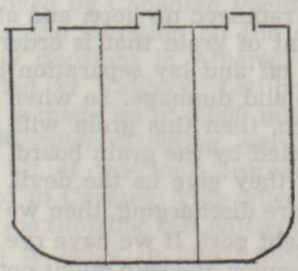

TANKER

Each one of these tanks will hold various amounts, from 500 to 1,000 tons in the wing tanks and from 1,200 to 1,600 tons in the centre tanks. After the grain runs up here, we have to get hand trimmers in here to shovel all these tanks. There is an opening about twice the size of a barrel and the grain has got to go in this barrel. Of course, it is running very slow and the men have to trim it in under here, and when the spout is way over here, you have to stretch it right over and it takes quite a lot of jerry-rigging to stretch it out. When you have 27 of these tanks to do, it involves a lot of work and takes a long, long time.

Then there is the conventional ship with one or more 'tween decks. This is the lower hold here and this is a 'tween deck. This is the feeding space, which resembles one small box on top of a large box. These fedders can come down a certain distance. The grain is run up about so high and we have machines that will take the grain from this outer stout and throw it up, so that when the ship is out at sea and starts to roll, all these compartments will be full, and there is no problem with heeling over. Now this feeder box tends to keep the grain in a certain position, and if the ship rolls over and there is any slack space in here, this grain will come of the feeder box and keep the lower hold full.

Now when we get into 'tween decks, this area looks after this and we have to machine these areas. This feeder box here tends to keep this area full, so that the ship will be tight in all its areas at all times.

When we are loading oil seeds or commercial products and we only have enough for half a hold or a third of a hold, and say we have rye down in here, some rapeseed up here, and along here we have some flax, it means that for the amount of grain that is ordered or has to be shipped, we have to level all the grain off and lay separation clothes, which consist of burlap and plastic polythene and dunnage. So when they take the grain out, whether it is by clam or suction, then this grain will not be mixed with this. This, of course, is again inspected by the grain board, and if they see a little hole that is not covered up right, they give us the devil. They are quite meticulous in this respect. When they are discharging, then we have to have the right grain in the right place for the right port. If we have rye up at the top and flax down below, the rye, being the heavier, the ship might not meet the Port Warden's requirements of stability. They have to have a certain stability before the ship can start to load. It has to be proven, and we have to arrange these things. We have had as many as nine different grades at seven different elevators and four different ports. These are problems that we have to work out, and this is what takes the time and delays the ship. When it is all one grade for one port, there is really not too much of a problem. Our problem, to get the ship from one place to another, is to have the ship on a fairly even keel or by the stern so that the ship's propeller will not be out of the water when she arrives, because she usually consumes fuel from the aft end of the ship. If you did not have the ship in right trim then you are in trouble. If the ship is going by the head then she cannot use her fuel because the fuel is at the forward end of the tanks. These are problems we have to work out with the master of the ship.

When we finally get the finishing stage of the ship, we have to take into consideration the load marks, which is the plimsoll; we have to make sure that

we do not overload the ships, otherwise the Port Warden will make us discharge it. We do not have any facilities for discharging grain here except by ship's gear. We have absolutely no facilities. If somebody makes a mistake, it is really a very bad effort and it costs a lot of money.

I think that is pretty well all I can tell you about these things. If there are any questions I will be delighted to answer your questions. Thank you very much.

The CHAIRMAN: Thank you very much, Mr. White. We have one more gentleman to present a presentation, Mr. Fraine from the C.P.R., who will explain the role of the railway company in handling grain.

Mr. J. N. FRAINE (*Canadian Pacific Railway*): Mr. Chairman, members of the committee and gentlemen, I am happy to have the opportunity of outlining to the committee the role of the railways in the handling of grain from the prairies to the Pacific coast for export.

The western grain-shed includes the province of Alberta, a portion of the western part of Saskatchewan and the northeast corner of British Columbia. Alberta and Saskatchewan are served by Canadian Pacific, and Canadian National and the Northern Alberta Railways which is jointly owned by both Canadian Pacific and Canadian National serves northern Alberta. The northeastern part of British Columbia is served by the Pacific Great Eastern Railway.

I will be speaking to you on the system employed by Canadian Pacific for the movement of grain but with minor variations, the situation on the other railways would be similar. There are four railway divisions in Alberta, each under the supervision of a superintendent located at Calgary, Lethbridge, Medicine Hat and Edmonton. This railway system is made up of 3,000 miles of main track, including branch lines, and some 800 miles of siding, yard and industrial trackage. The movement of trains in all of the four divisions is controlled from a central despatching office located in Calgary. This office was established some 18 months ago, with a view to maximizing the efficiency of car distribution and train operations. In addition to being in touch with all of the agents on the territory by telephone and telegraph, this office also is mechanized so that it can secure through the computer centre at Montreal all the information it requires in connection with the location and movement of cars and locomotives, both in Alberta and in trains destined to Alberta from either the east or the west.

Prior to the commencement of each crop year, the wheat board makes known to the railways the number of cars of grain required for delivery to the Lakehead, to the Pacific coast and for mill orders. These requirements indicate the number of cars to be loaded per day on a five-day week basis, and the requirements are adjusted several times throughout the year, usually about the close of navigation to the Lakehead in mid-December and again just prior to the opening of Lakehead navigation in the early part of April. The wheat board then, from time to time, issues shipping orders to the various grain companies to authorize the movement of grain, according to the type and grade required, to meet the board's marketing commitments. It also establishes a quota for each shipping point, with a view to providing equality of shipping opportunities to all

producers. The board issues a weekly tabulation, indicating the quota position for each point and the estimated number of cars required to take care of the various quotas at each point. This document is used by the despatching office to distribute the empty cars in accordance with the shipping orders held by the country elevator agents at the various shipping points. There are some 877 country elevators located on Canadian Pacific lines, ranging from one or two at a station to as high as 12. The number of cars required to fill any given quota varies widely in different areas of the province, depending on the productivity of the area and the use to which the land is being put. Consequently, some branch lines, where production is high, are served daily or tri-weekly, whereas others may be served by intermittent service as required.

Once a car is in place at an elevator for loading, the country elevator agent places grain doors inside of the car as a bulkhead across each door. He then places the spout from the loading bin over the grain door adjacent to the elevator and loads the car. After this, the outer doors are closed and sealed and the car is billed to its destination. A supply of grain doors is maintained at each country elevator by the railway. Originally, grain doors were made from one inch rough lumber. More recently, paper grain doors have come into use and Canadian Pacific is presently changing over from wood to paper doors on this region, with three of the four divisions already re-equipped.

All Vancouver export grain loaded in Alberta and western Saskatchewan moves to the coast through Calgary and the Kicking Horse Pass except for the grain that is loaded east, west and south of Lethbridge, which moves through the Crowsnest Pass. This latter movement is routed to the main line at Golden, B.C. via the Windermere subdivision and then on to the coast. On occasion, solid trains of grain are run west from Lethbridge and Calgary and, on other occasions, grain is moved in blocks on trains with other traffic, depending on the general flow of traffic.

After arrival at Coquitlam, which is our main freight terminal located about 17 miles east of Vancouver, the grain is switched, according to the elevator to which it is destined, and is moved between Coquitlam and the elevator location by transfer crews. It is subsequently placed on the elevator unloading tracks by a yard engine.

It may be of interest to you to know that Canadian Pacific has, within the last five months, taken delivery of some forty 3,000 horsepower locomotives, which are being used to handle grain and other traffic between Calgary and Vancouver. The balance of the order, 25 units, will be delivered in the next few months. These units are presently being operated in three-unit consists which can handle about 75 cars of grain. When all have been received, four-unit consists will be used to haul 100-car grain trains. The application of these 65 heavy locomotives will increase the capacity of the line by about 60 per cent.

In 1966 Canadian Pacific handled into Vancouver, 65,906 cars of grain, carrying 130,300,000 bushels. If all of these cars, together with the locomotives which hauled them, could be marshalled in one train, the train would extend from Calgary to Vancouver, a distance of 641 miles. In terms of tonnage handled,

the grain amounted to 3.9 million tons or 40 per cent of the total number of cars moved into the Vancouver area from the east.

I have been as brief as I could, Mr. Chairman. If there are any questions I would be happy to try to answer them.

Mr. OLSON: Mr. Chairman, I wonder if Mr. Fraine would mind repeating the information that he rose about the new locomotives that are going to increase, I think he said, the utilization of the line by 60 per cent.

Mr. FRAINE: I said the application of the 65 heavy locomotives will increase the capacity of the line by about 60 per cent.

Mr. OLSON: Did you say that you had these 65 heavy locomotives now?

Mr. FRAINE: We have 40 of them.

Mr. OLSON: You have 40 of them now and 25 to come. Thank you, Mr. Chairman.

The CHAIRMAN: What is the wish of the committee? Do you desire to see the film now, or is it your wish to see the film and have the questioning period afterwards?

Some hon. MEMBERS: Let us see the film now.

The CHAIRMAN: If it is the wish of the committee to see the film, we will have the film and proceed with questions immediately afterwards. I believe Mr. Hamilton will narrate this.

Mr. HAMILTON: I wonder if I could say a word about the film. It is a little bit out of date. It shows the Board of Grain Commissioners as being under the Department of Trade and Commerce; you are all well aware that we are under agriculture now. The equipment is old; it shows steam engines, and we do not have those any more. We have a new film in the making, which is a combined effort between the Canadian Wheat Board and the Board of Grain Commissioners, showing the combined operations.

(Film: "Grain Handling in Canada"—see Minutes of Proceedings for explanation)

The CHAIRMAN: We will start the question period now. I have two names so far on my list although I may have missed some. I have Mr. Jorgenson and Mr. Muir down.

Mr. JORGENSON: I think many of the questions I had in my mind, when I came to this meeting, have been answered by the thoroughness of the reports that have been given.

Captain Johnson said something about the transport commissioner doing a commendable job in relieving the bottlenecks in respect of the movement of grain, by the appointment of the transport commissioner. Mr. Riddell, you have rendered a tremendous service for the grain trade in western Canada, and in doing so have been deprived of your retirement holiday. What, in your opinion, would be wrong with the appointment of a permanent transport commissioner to make sure that the movement of grain is kept at the very highest level?

Mr. RIDDELL: It is pretty hard to say, Mr. Chairman. There was a transport commissioner appointed under the emergency powers during the war. Of course, when these powers lapsed in 1948, the position naturally was done away with.

The position of a transport commissioner entails quite different duties, of course, from what mine were. Everything that I and members of the committee did, had to be done on a purely voluntary basis. We had no authority to issue orders to anyone and we had to rely strictly on co-operation. I believe that in the handling of a job like this the co-operation from the various parties is worth a good deal more than the issuing of orders, demanding that certain things be done. I think, in this free economy, that it is far better to depend upon co-operation rather than to be issuing orders, in the handling of a business like this.

Mr. JORGENSON: I quite agree with you, but without the transport commissioner in the position of co-ordinating the efforts of the various groups which are involved in the movement of grain, does that type of co-operation exist between these various groups?

Mr. RIDDELL: Yes, I think it does exist but, of course, it does need some co-ordination in bringing the various groups together. I think that can be done, perhaps, to a greater extent than has been done in the past through the Canadian wheat board and the other agencies involved. I found that everyone was most willing to co-operate with me in anything that had to be done. I might say that when the committee officially suspended its operations last year,—that is, when the emergency was over, there was no need for my services and the committee's function was really at an end—members of the committee expressed the opinion that they would like to continue their efforts by meeting occasionally, either by themselves or under the functions of the Canadian wheat board. I strongly recommended to the government that this suggestion should be carried out.

Mr. JORGENSON: I would like to ask Mr. Fraine a question, without in any way trying to monopolize the time of the committee. Mr. Fraine, is there sufficient trackage in the Vancouver harbour area to accommodate all the cars you feel are necessary for the most effective movement of grain?

Mr. FRAINE: As grain is handled and unloaded currently, there is ample trackage.

Mr. JORGENSON: If there was an increase in the amount of storage space in the Vancouver area, could there be a corresponding increase in the trackage? Is there physical space available for that purpose?

Mr. FRAINE: I had not quite completed answering your other question, sir, As it moves currently, there is sufficient trackage. However, on occasion, we get surges; there is not space here to handle it; the elevators are working at capacity and there is an actual surplus to immediate needs. On those occasions, we are obliged to set traffic out before we get to Vancouver. I cannot speak for Canadian National but I know we have been building trackage each year, over the past seven years, at Coquitlam. We still have ample space there to build more, and there is not any likelihood of our running out of the ability to provide trackage to handle the traffic as it grows.

Mr. JORGENSON: I have one final question for Mr. Moen. You mentioned, as I believe Mr. White and Mr. Craig did, a problem you face in connection with the various types of boats that come in here, some boats taking a great deal longer to load than others. What other problems do you face in loading grain, which slows up the movement of grain onto these boats?

Mr. MOEN: If I have understood you correctly, you are suggesting that the different types of vessels, present quite a problem. In my report, under "Other conditions", I mentioned that in years of high moisture there is a great majority of this grain that has to be dried. Our capacity here for drying is quite extensive, but not to the extent where we can dry, say, more than about 40 per cent of what comes in; we are in trouble if we have more than that under full production.

Cleaning can vary from year to year. The dockage, this year, is very heavy in some areas in the northern half of Alberta that were dry in the spring. This does not clean, over cleaners, on one run; it means you have to make a duplicate run, perhaps on one type of machine for a first scalping and on another type of machine for a second cleaning. This is something that you have to be prepared to contend with because this varies from year to year depending on the seriousness of the problem. I do not think this can be corrected by anything; it is something that we in the grain trade must live with. These things do come at us in surges.

Mr. JORGENSON: You are satisfied that your particular terminal has all of the latest and most modern and practical methods available for the movement of grain?

Mr. MOEN: I am glad you used the word "practical" because this terminal was built in 1927 and 1928. Its construction is such that you cannot hope to take advantage of all the modern methods, but you try to adapt what you can. Perhaps I could define this a little more by saying that you could increase the size of the legs which go up a certain enclosed cement column. However, I believe we all have had the experience of trying to build a new chimney in a house to make a fireplace. It is quite a job when you have to go up through a mass of walls, tanks and so forth. I think that the new Sask Pool terminal will have new, modern push-button methods of handling grain, which will be better than what we have. But, at the same time, I think that all the terminals here are quite capable of giving a good account of themselves.

Mr. FORBES: May I ask a supplementary question? If I understood you correctly, you said that the tough grain would be cleaned before it was dried?

Mr. MOEN: I am sorry if I have left that impression. It must be dried first.

Mr. FORBES: I was wondering if you could reverse it and save two or three operations?

Mr. MOEN: The reason you want to dry it first is that tough and damp grain sticks to everything that it goes over, and if you put it over a cleaning machine, with multiple screens, you get a great mess. So you hope to dry it out. Furthermore, if you put the screenings or any of the dust aside in a high moisture condition, you have another problem in that bin because it starts to heat and so forth. So the first run, on something that tests high in moisture, is through the dryer and then to the cleaners.

An hon. MEMBER: I have another supplementary.

The CHAIRMAN: I think we were getting away from the line of questioning. Perhaps Mr. Muir's question is supplementary too.

Mr. MUIR (*Lisgar*): My questions are for Mr. Riddell and they relate to the capacities of the elevators.

The CHAIRMAN: Perhaps Mr. Moore could ask his supplementary.

Mr. MOORE (*Wetaskiwin*): My supplementary had to do with tough grain. Is it possible and if so, would it not be more practical, in a year when there is a lot of tough grain in certain areas on the prairies, to dry it locally before shipment?

The CHAIRMAN: Do you mean on the farm or at the local elevator?

Mr. MOORE (*Wetaskiwin*): Well, either, but mainly at the local elevator.

Mr. RIDDELL: Mr. Chairman, there are no dryers in country elevators. In some years, particularly in 1951 and in a later year, when there was a large percentage of tough and damp grain, a great deal of grain was dried on farms or at local delivery points by bringing in drying machines and drying the grain on a custom basis, for the account of the farmer. At that time they had to be very, very careful because if grain is over-dried it will hurt the baking and milling qualities of that grain, and quite a bit of grain was spoiled in the early drying. The Board of Grain Commissioners then took steps to check it very closely and toward the end quite a satisfactory job was done in the drying of grain.

In some countries, particularly the United States, a great deal of drying is done on a custom basis at the local delivery point; in overseas markets, quite a bit of grain has to be dried before it goes to the mills and most of that is done at local points, through drying equipment. However, in these cases, I do not think that they observe the same regulations regarding the maintenance of the baking and milling qualities in the grain after drying.

Mr. MUIR (*Lisgar*): Mr. Riddell, I believe you mentioned that the capacity of the present elevators is 20 million bushels.

Mr. RIDDELL: That is the rated capacity; the present capacity, in the four ports of Vancouver, New Westminster, Victoria, and Prince Rupert, is 25 million. Although the rated capacity is 25 million, I said that the actual working capacity would be about 25 per cent less; Mr. Moen, I think, said 20 per cent less.

Mr. MUIR (*Lisgar*): Mr. Craig mentioned that at times, at least, he felt there was a shortage of berths for the ships. What would you think would be a desirable amount of elevator capacity to have at these ports to handle the expected amount of grain that we are going to be shipping, say, in the next decade? Perhaps that is going too far ahead; let us say, to 1970?

Mr. RIDDELL: Mr. Chairman, as I mentioned in my report, there is a new elevator under construction for the Saskatchewan Wheat Pool which will provide an additional five million bushel capacity. That will bring it up to 30 million, and I think the plans are underway to add about one million bushels to the capacity of the Prince Rupert elevator. So there will be a total of 31 million. Actually, there is no limit to the amount of grain that can be put through a

terminal elevator, provided it arrives promptly, that it is the right type of grain you wish to ship, and you have vessels waiting in port ready to accept delivery of the grain. I have never felt that it was necessary to store any particularly large quantities of grain in the Pacific port elevators. They are built not for storage but for handling and shipping of grain. All that you need in these ports is sufficient storage space to allow for two factors: the non-arrival of grain due to delays in the rail movement; and the maintenance and holding of stocks of grain due to the non-arrival of vessels, which very often happens due to storms at sea, strikes in other ports and other hold-ups.

Mr. MUIR (*Lisgar*): Mr. Riddell, you mentioned that there was something like 250 million bushels shipped out of Vancouver?

Mr. RIDDELL: Two hundred and thirty six million shipped out of all of the ports in 1965-66.

Mr. MUIR (*Lisgar*): In that case, you shipped approximately ten times the working capacity of the elevators. Is that possible to do at all times, or was this just a special effort?

Mr. RIDDELL: No. I think it is possible to do it at all times, Mr. Chairman. I have felt that the capacity of the port, normally, should be around 20 to 22 million, bearing in mind that we have different types of grain to handle: wheat, oats, barley, flax, rye and rapeseed; and I think on that basis it could be measured and handled on the basis of 20 to 22 million bushels per month almost the year round.

Mr. MUIR (*Lisgar*): This is my final question, Mr. Chairman. Are you satisfied that when Sask Pool build their elevator and you get this other million bushel capacity, that the port of Vancouver will be able to handle the grain that it is necessary to handle for export, through that point?

Mr. RIDDELL: In respect of the present market, Mr. Chairman, I do not think there should be any difficulty, with these added facilities, in handling the requirements.

Mr. MUIR (*Lisgar*): Thank you, Mr. Chairman.

(*Translation*)

Mr. CLERMONT: Mr. Chairman, I trust that in putting my questions in French, I shall not be creating a disturbance.

My first question is to Mr. Moen, in the folder, which was distributed, mention is made of the fact that the biggest quantity of wheat from Alberta and West Saskatchewan is delivered to the port facilities of the Pacific Coast for export. Is this due to economic reasons? A large percentage of the grain exported from Alberta and Western Saskatchewan leaves by way of the Pacific ports, in most instances from Vancouver. Is this due to economic reasons?

(*English*)

Mr. MOEN: Yes. There is a much cheaper rate from these areas that you are speaking of to Vancouver than to the head of the Great Lakes.

(*Translation*)

Mr. CLERMONT: Are these exports to all parts of the world?

(*English*)

Mr. MOEN: From the Vancouver port, yes.

(*Translation*)

Mr. CLERMONT: You mentioned that Canada is the only country in the world which sells wheat on certificate. For a representative from an Eastern riding, could you tell us on what basis the Americans export their wheat?

(*English*)

Mr. HAMILTON: Mr. Chairman, I said that Canada was the only country in the world that exported all its grain on the strength of a piece of paper. The Americans do export some this way, but they also export some through a sample market.

(*Translation*)

Mr. CLERMONT: Mr. Fraine, you mentioned in your remarks that at the outset of a season, the Canadian Wheat Board informs you regarding the quantity that would be conveyed to different harbours in Canada in a peak period and my question can be explained in this way; from time to time in the House of Commons, our colleagues from Western Canada complain that certain regions do not get the railway freight cars they should in peak period, so in peak periods who decides what region is going to get more cars than another region is going to get?

(*English*)

Mr. FRAINE: Cars are distributed by the railway. Every endeavour is made to distribute them in accordance with the quota situation, as it may exist, so that each area has an equal opportunity to ship. However, there are occasions when, for one reason or another, it is not always possible to do it on a short-term basis. For example, the demand may be for a type of grain which is not available at the station, which may make those in that area feel they are being discriminated against in the placement of cars. But, generally speaking, we attempt to distribute the cars in an equitable manner.

(*Translation*)

Mr. CLERMONT: Due to different types of boats used, I do not know, Mr. Chairman, to whom I should direct this question, but I believe one of the witnesses mentioned that there are tankers used at certain periods. They may load only 200 tons aboard the tankers, this means there is an additional cost factor due to maintenance. Do the boats have to pay additional demurrage charges in this case?

(*English*)

The CHAIRMAN: Mr. Moen made that statement.

Mr. MOEN: I made part of that statement. Will you recall the drawing on the board that Mr. White, on behalf of the stevedoring company, made of that tanker. When you are filling up underneath the corners, you can only manage about 200 tons on some eight-hour days because you are doing a lot of trimming, a great deal of which is done by hand. If machines are used, it takes time to get them into position. These boats that are taking this grain do not pay extra for this additional time, but it does cost them more for stevedoring—they have men

on the job for it. As far as the terminal is concerned, although we do not get anything extra out of this grain, it does cost the ship more money because of the crews that are putting this grain aboard.

The CHAIRMAN: Mr. White, did you care to make a comment on this same question?

Mr. WHITE: The only extra charge would be for the stevedoring rates. The rates for leading bulk self-trimming ships are different from those for loading tankers. The rates are established from a manpower operation. The more manpower hours it takes to load a ship, the different the rate structure. I myself do not deal in dollars.

Mr. GUNDLOCK: Mr. Chairman, several times this evening we have heard various speakers here refer to an eight-hour shift. Is only one eight-hour shift worked here in the port?

Mr. MOEN: No. I only used that figure, in my quotations, to give you a basis of comparison. We are cleaning grain 24 hours a day, seven days a week if required, although we are not continually running seven days a week.

Mr. GUNDLOCK: I asked the question, Mr. Chairman, in relation to loading. Is loading carried on around the clock as well?

Mr. MOEN: No.

Mr. GUNDLOCK: How long?

Mr. MOEN: Our loading runs mostly eight hours. If a vessel is ready to sail, you can work an extra hour on that; and then at the present time there is overtime on Saturdays in connection with the loading of vessels.

Mr. GUNDLOCK: Then, generally speaking, ships are loaded eight hours a day only?

Mr. MOEN: Generally speaking.

Mr. GUNDLOCK: Throughout the year?

Mr. MOEN: Right.

Mr. NOBLE: Mr. Chairman, Mr. White said that there might be three different kinds of grain put on one ship. Who assumes the responsibility of the cost of the material that is used to separate these grains?

Mr. WHITE: It is usually the charterer's account. They sell so much grain and they have to pay the charges for the separation. This is under normal circumstances. If the charterer has sold so much grain and it will fit into half a hatch, then he must pay for the cost of making the separation.

The CHAIRMAN: Perhaps I should not be saying this, as Chairman, but, Mr. Noble, are you worried about a charge-back being made which would come off the sale price of the flax or rapeseed?

Mr. NOBLE: I was wondering, Mr. Chairman, if there was any reflection back to the producer, if he had to come good for some of the charge when a shipment was mixed, or did the traders take that responsibility?

Mr. WHITE: The buyer is responsible at all times.

The CHAIRMAN: It does not cost the primary producer any more whether it is a full hold or one third of a hold?

Mr. WHITE: I would not think so.

The CHAIRMAN: Mr. Clermont are you finished your line of questioning?

(*Translation*)

Mr. CLERMONT: Mr. Hamilton, from the film you showed us, it would seem that there are several inspections. My first question is in regard to inspection. What is the number of staff you have in the Inspection Service, in round figures? You mentioned, I think, the Grain Board has about a thousand staff, how many engaged in the Inspection?

(*English*)

Mr. HAMILTON: Mr. Chairman, I will just run over the number of inspection people we have; Winnipeg, 66; Montreal 40; Chatham, 8; Toronto, 2; Fort William, 168; Keewatin, 1; Saskatoon, 10; Moose Jaw, 3; Lethbridge, 2; Calgary, 15; Edmonton, 16; Vancouver, 75; Victoria, 5; Prince Rupert, 5; Baie Comeau, 2. I would think there is about 200 inspectors here.

(*Translation*)

Mr. CLERMONT: My last question. To whom does the producer have the right of appeal in regard to inspection? Is it on delivery to the elevator, or after the samples were sent to Winnipeg.

(*English*)

Mr. HAMILTON: Mr. Chairman, at the country elevator level there is no official grade. It is a grade that is agreed upon between the buyer and the seller. The producer does not have to accept the grade offered at the country level. If there is no agreement, a sample will be sent to the Chief Inspector in Winnipeg. He will establish the grade and dockage and the company must settle with the producer on that basis. If he ships a carload of grain, sir, and he is not satisfied, he has a right to a re-inspection.

The CHAIRMAN: Are you through with your line of questioning, Mr. Clermont?

Mr. CLERMONT: Like the previous member, I would like to give an opportunity to other members to ask questions.

Mr. WATSON (*Assiniboia*): My question is to Mr. White and pertains to the loading of the ship, specifically the one with the tanks. You referred to the deep ones and having to get wheat and men up into these corners. How much wheat would be involved and how many men would this require?

Mr. WHITE: In each tank there would be around 40 to 75 tons and it would involve anywhere from six to 20 men.

Mr. WATSON (*Assiniboia*): Is there not some method of doing this by mechanical means, perhaps with the same type of spouts used for loading the corners of the bigger holds, or similar to what is used in a country elevator to shoot the grain to the other end of a boxcar? This would be a much faster method when there is so much wheat involved. Is there no possible mechanical means? If not, why not? Surely there must be some reason for this?

Mr. WHITE: What kind of piece of equipment could you get into an area about five feet in diameter and about three feet high, with a ladder down the middle of it?

Mr. WATSON (*Assiniboia*): What size did you say?

Mr. WHITE: About five feet in diameter, at the most, and about three feet high, with a ladder or escape hatch that goes all the way down to the bottom of these tanks. It is almost physically impossible to get any kind of mechanical device in there. We have tried many things in many ways.

Mr. WATSON (*Assiniboia*): How do you get men in it, then?

Mr. WHITE: Well we run the grain up to a point just so they can get in; then you put the men down with shovels and lights, and then you put more grain down so they can shovel it back. When they have it cleared away, you put more grain in, and they keep shovelling. This takes anywhere from one to three hours for each tank.

Mr. WATSON (*Assiniboia*): I may be a little dense on this, but I cannot see why you have to keep shovelling grain down because the grain will run down until you get to the top. I just do not understand your reasoning.

Mr. WHITE: We have run up as much as we can that will go in by itself. Let me show you in a drawing. We run the grain up and then run it down. Then we pour some more grain in until it is all filled up. The men shovel back the grain. Then we fill it up again with more grain, until this is completely filled up.

Mr. WATSON (*Assiniboia*): How wide is that tank?

Mr. WHITE: This area would be approximately 5 feet maximum in diameter and 3 feet high. It would hold about six tons.

Mr. WATSON (*Assiniboia*): How wide is the whole tank?

Mr. WHITE: Well from here to here would be roughly one-third of it, 70 feet by 20 feet at least.

Mr. WATSON (*Assiniboia*): Where are the men?

Mr. WHITE: They are shovelling underneath. This is the main deck.

Mr. WATSON (*Assiniboia*): And there is no possible way that you can get a spout or machine to shoot wheat in there?

Mr. WHITE: There is a ladder all the way down the middle, like this.

Mr. MUIR (*Lisgar*): At least it would be a nice clean job.

Mr. WATSON (*Assiniboia*): Is there no possibile way of putting a couple of holes on each side if the ship is going to be handling grain? Could you have manholes?

Mr. WHITE: Some ships have what they call Butterworth openings, about 14 inches in diameter. I could not get through one of them. We use those to avoid hand trimming as much as we can. Still, men have to go underneath.

Mr. WATSON (*Assiniboia*): I will accept your answer but I am sure, if we had that out on the farm, that we would soon figure out a way of doing the job a lot quicker than that.

Mr. WHITE: You do not have Lloyd's surveyor after you all the time.

Mr. WATSON (*Assiniboia*): I would look after him, too.

Mr. FORBES: Who pays the cost of the men shovelling the grain? Is it the owner of the boat or the transport commissioners?

The CHAIRMAN: This was more or less answered before, Mr. Forbes. The shipping companies make an agreement. Mr. White, would you like to answer this?

Mr. WATSON (*Assiniboia*): I would like one more supplementary on this same point.

Mr. FORBES: Did you get my question, Mr. White?

Mr. WHITE: No sir.

Mr. FORBES: Who pays the cost of shovelling this grain back into the corners? Is it paid by the boat owner, the board of transport commissioners, the national harbours board, the wheat pool or just who pays for it?

Mr. WHITE: The owner.

Mr. FORBES: The owner of the ship?

Mr. WHITE: Or the charterer of the ship.

Mr. FORBES: What does it cost the owner or operator of a boat, per bushel, to get his boat loaded at one of these berths?

Mr. WHITE: Each ship or type of ship has different rates. I do not know what the exact rates are, but this has to do with the owner of the ship or the charterer and the stevedores. This has nothing to do, I do not think, with the board of grain commissioners.

Mr. FORBES: But, is the total cost of transporting the grain from the elevator to its destination charged against the grain, which would reflect back on the farmer shipping the grain?

Mr. WHITE: No.

The CHAIRMAN: I would ask Mr. Craig to add to this. I think he can help us on this question.

Mr. CRAIG: We mentioned four types of vessels. A self-trimming bulk carrier is the cheapest ship to load from a stevedoring standpoint. The stevedore will bill the charterer or the owner at X number of cents per ton to load wheat, depending on the type of vessel. I suggest to you, in round figures, that with the assessment that the ship pays to what was formerly the B.C. Shipping Federation, now the B.C. Maritime Employees' Association, covering the operators expenses, plus the stevedoring account, for a self-trimming bulk carrier the total stevedoring would amount to 28 cents a long ton versus 55 cents a long ton for a tanker.

Mr. FORBES: Would the boat owner pay the National Harbours Board for a berth to get in and load the grain?

Mr. CRAIG: They pay a berthage charge.

Mr. FORBES: How much is that?

Mr. CRAIG: Fifteen cents per eight hour period—45 cents a day per lineal foot for a working day, half on Sundays and holidays.

Mr. FORBES: Suppose you cannot load the boat and send it out to anchorage. Who pays the wages or salaries while the ship is waiting to get into a berth?

Mr. CRAIG: The shipowner.

Mr. FORBES: Thank you.

The CHAIRMAN: Now let us allow Mr. Watson to finish.

Mr. WATSON (*Assiniboia*): Mr. Chairman again my question relates to these corners. I understand this type of work is done by your stevedores. Is it possible that stevedores, belonging to certain unions, object to using mechanical means to fill these corners so that it would not do away with labourers and, eventually, jobs? Could this be the reason there is not a more efficient way of filling these corners up.

Mr. WHITE: First of all, I am a stevedore, and the man that does the work is a longshoreman, two distinct types of people. The stevedore is the man who tells the longshoreman what to do. However, in this connection we, in Vancouver, have no problems with mechanical devices—absolutely none.

The CHAIRMAN: They are readily adopted by the people concerned?

Mr. WHITE: Yes.

The CHAIRMAN: Mr. Olson is next.

Mr. OLSON: Mr. Chairman, I would like to ask Mr. Riddell one or two questions. He said there was some problem with respect to the inward grades going into the terminals and the export standards that were required to go out. Is this the difference between an official and an unofficial grade? Is this what we are talking about, or are there two different official grades?

Mr. RIDDELL: Mr. Chairman, there is one official grade set down in the Canada Grain Act for the grading of grain delivered by farmers to country elevators. The grain is shipped forward by country elevators on that basis. It is inspected, going into the terminal, on the same basis. Then, if you were watching the picture, you saw a meeting of the Board of Grain Commissioners with a committee on western standards. This committee examines the grain from the new crop delivered at the beginning of the crop year and a standard is set up for export on a formula set out in the Canada Grain Act. I think the export standard —Mr. Hamilton can correct me if I am wrong—is 25 per cent of what I was calling the primary grade and 75 per cent of the run of the crop; in other words 25 per cent of the minimum standard and 75 per cent of the average of the crop. You might have, for example, No. 1 Northern. The grade set out in the Canada Grain Act calls for a weight, I think, of about 60 pounds per measured bushel. Actually, the crop might out-turn No. 1 Northern with a weight of 62 or 63 pounds per bushel, in which case the exports standard committee would set up a standard export grade with a weight of, say, somewhere around 62 pounds to the bushel and any No. 1 Northern that came into a terminal elevator on a standard of the primary grade, at 60 pounds, would have to be mixed with higher weight wheat in order to pass the export standard. Is that right?

Mr. HAMILTON: Mr. Chairman, maybe I should read the two sections from the act so there will be no mistake. You asked a very good question, Mr. Olson. Parliament, as you know, has laid down statutory grades. Parliament has set this out in the act. Section 26 reads, in part, as follows:

> As soon as possible after the 1st day of August in each year the Board shall cause samples to be collected of the grain of the current year's crop of western grain—

Section 27 continues:

> When such tentative standard samples have been prepared, and reports on the milling and baking qualities of the tentative standard samples of wheat have been obtained, the Board shall convene a meeting or meetings of the Western Committee, which shall select and settle standard samples of each statutory grade, which samples shall, so far as possible, represent the minimum of each such grade.

This is what the producer is graded against, an absolute minimum for each grade. Then further on in the act, Section 31 says:

> Standard export samples. How constituted.
>
> The standard export sample of each of the grades of which such a sample is selected and settled by the Western Committee shall be constituted by mixing three parts of grain equal to the general average of the grain assigned to such grade at the inspection point or points through which the grain delivered as aforesaid has passed, with one part of grain equal to the quality of the standard sample of such grade.

which is the minimum. Three parts of the average and one part of the minimum. So it is a higher standard going out than it is coming in.

Mr. OLSON: I agree. I understand that, Mr. Hamilton, but not all of the details. Is there not a change from year to year in what is acceptable both for the official incoming grade and for the export grade, and are these not co-ordinated so that you do not have this difficulty?

Mr. HAMILTON: We take into account, Mr. Olson, the old crop grain that is still held on farms, in country elevators and terminals; we know it is going to be coming in.

Mr. OLSON: Yes.

Mr. HAMILTON: This is taken into consideration when we establish the new standards. But, there is a real problem with these two different sets of standards, because if the country elevators—and they are becoming smarter all the time—ship to the minimum, then it is impossible for the terminal. If everything comes into the terminal at the minimum, it is impossible for the terminal to meet the standard export samples.

Mr. OLSON: Would it be possible for Parliament to change this act? Do you think it would be practical for these standards to be changed, in so far as the inward grade is concerned?

Mr. HAMILTON: We think that this part of the act should have a good going over, and we have a committee in Winnipeg working on this right now.

Mr. OLSON: There was some reason that this was set up in the past, and I am not going to go into all that now. But do you think now, on the basis of your experience, that it would be possible to change this unofficial and this inward grade, taking into account the people who are going to be doing the grading and so on, so that it could be synchronized or co-ordinated a little better, with your export standard requirements?

Mr. HAMILTON: This is a real tough question.

Mr. OLSON: If Parliament is going to do anything practical and useful, they would have to know whether it would work out or not.

Mr. HAMILTON: There is a hardship, I grant you, worked on the terminals at times, but I believe they can live with it at present; this is not a pressing problem.

Mr. OLSON: Thank you. Now, Mr. Riddell, I want to turn my questions, just for a moment, to your duties as transport commissioner. You mentioned that the railroads' performance was excellent and outstanding for the whole crop year 1965-66, and I agree with you. What about that period between about September, 1965, up until February, 1966 when there were so many complaints from many places, particularly Southern Alberta? What was wrong at the time, and have we found something whereby that is not going to repeat itself?

Mr. RIDDELL: Mr. Chairman, Mr. Olson is referring to the period in 1965 up to the spring of 1966, when we ran into some real difficulty. Perhaps I can just summarize from a report which I wrote, when I took over the chairmanship of the committee in the Spring of 1966, which I believe will sum up in as few words as possible.

A strike of the Alberta Pool elevator for a period of several weeks during the summer months—that is, of 1965—and delays set down and refusals to accept hot grain at other elevators, left the port with an insufficient supply of grain and store elevators to adequately meet export requirements and to provide for the future programs. As a consequence of this, shipping delays occurred in the early months of the 1965-66 crop season, resulting in increased carry-overs in programs from month to month up to the end of October 1965. At the same time as an increased car supply was required for the Pacific coast to remedy the situation, the railway companies were being required to provide for an increased level of transportation to service Port Churchill, in the case of the C.N.R., and for the lakehead in the case of both the C.N.R. and C.P.R. notwithstanding, a serious effort was made by the railway companies to increase loadings of grain for the Pacific coast toward the end of October and early November. This resulted in a very satisfactory improvement in loadings and unloadings during the month of November, with a corresponding reduction in carry-overs and programs being achieved by the end of that month.

Country loadings and Pacific coast unloadings both decreased somewhat in December from the levels of the previous month, due, in some measure, to cold weather, heavy snowfalls and snowslides in certain areas and the intervening of the holiday season. As a result, the carry-overs in programs at the year-end increased to the highest level of the season up to that time. A continuance of heavy snowfalls in the prairie provinces and mountain regions, along with

extremely low temperatures which decreased the efficiency of motive power, further retarded the efforts of the railway companies to effect any improvement during the month of January The month ended, therefore, with a slight deterioration in both the carry-over and Pacific coast grain stock position as compared with the previous month.

These, I think, were the events leading up to the situation at the time the committee was formed on the 25th of January, 1966.

Mr. OLSON: Taking all of this into account, Mr. Riddell, are we to assume then that if we had a work stoppage at the terminals, for any reason, whether it was a strike in the terminals, of the longshoremen or whatever during the summer, and we had a cold winter, that we would have a repetition of that kind of performance, from October through to the end of January?

Mr. RIDDELL: It is quite possible, except, I would say, Mr. Chairman, with the greatly improved equipment and so on on the railways that it could be avoided to a greater extent than was the case at that particular time.

Mr. OLSON: You mention improvement in equipment. Has that been solely more motor power or what?

Mr. RIDDELL: It has been increased motor power, increased number of boxcars and so on.

Mr. OLSON: Mr. Moen, I think you said something to the effect that your unloading capacity, your grading capacity and your shiploading capacity was substantially different in the number of hours required to move so many tons. I could not write down all the figures as you gave them, but have you made any effort in your terminals to co-ordinate the capacity of these various operations?

Mr. MOEN: I gave you a formula which, I felt, for a committee of your size, would eliminate the necessity of copying quite as many figures, in that I said that loading out to one of the better type vessels in eight hours, we could unload enough grain to supply this continuously in 12 hours what we could clean in 20 hours. Now basically, the ships load about eight hours a day, working on Saturdays. We still have the extra capacity of the extra four hours on cleaning to handle the types of grains with problems. We can throw on extra crews by working overtime shifts or by putting on extra shifts for unloading cars, and this is the way we are fluid. We could be unloading for 12 hours just as easily, as long as we kept the grain going out to keep room in the terminals.

Mr. OLSON: Are there any prohibitions against you loading out more than eight hours in a 24-hour day?

Mr. MOEN: There has been a lot of talk about this. I think the figures will quickly tell you that if you tried to load out 16 hours then we would need 40 hours of cleaning. There are not that many hours in a day.

Mr. OLSON: You need 40 hours of cleaning with your present cleaning capacity, but if you increased your cleaning capacity then you would not need 40 hours, would you?

Mr. MOEN: That is right. I think you will have to take a look at the terminal. It would be very, very difficult to put the cleaners in our present facilities.

Mr. OLSON: What I am more keenly interested in is whether you run into difficulties from time to time in respect of one part of your operation not being able to keep up with the other parts?

Mr. MOEN: This can happen. I would say that perhaps it would happen more often it there was a delay in certain grades of grain coming forward that are required for the vessels that are calling. If you get the offgrades to take up the space in your terminal, this will create a bottleneck to having space to handle your grain as it is being unloaded.

Mr. OLSON: I have several other questions but I do not want to monopolize the time of the committee.

I want to ask Mr. Fraine a couple of questions, if I may, with respect to the statement he made about increasing the capacity or utilization of the line. I take it this is probably from Calgary to the port. Is this the area you were talking about, Mr. Fraine?

Mr. FRAINE: Calgary to Vancouver, yes.

Mr. OLSON: I want to be clear. Did you say that you think you have about a 60 per cent increase in the capacity of this line now—that is, when you have the 65 heavy locomotives in operation? On what period are we basing this 60 per cent increase? Is it from mid-1965 or 1964, or when?

Mr. FRAINE: It compares the situation, using the 3,000 horsepower locomotives, as opposed to the 1,600 horsepower locomotives. You can handle a bigger train, therefore you require fewer trains and, therefore, you have unused capacity.

Mr. OLSON: I understand that, but from what date could we take this? Would it be mid-1965? Were you confined to 1,600 horsepower locomotives then?

Mr. FRAINE: We were handling the traffic then with 1,600 horsepower locomotives.

Mr. OLSON: Then from that capacity, up to now, you calculate that you would have about a 60 per cent increase in your capacity to move the grain over that route?

Mr. FRAINE: I would think so.

Mr. OLSON: Mr. Fraine, when do you expect to have the balance of these heavy locomotives operational?

Mr. FRAINE: They were supposed to have been delivered by the end of April. Whether they are going to make that schedule of delivery, I am not sure.

Mr. OLSON: But it will be in 1967?

Mr. FRAINE: Yes sir.

Mr. OLSON: I have just one other point and then I will pass, Mr. Chairman. I am curious about the statement Mr. Fraine made with respect to quotas that you are given advice of at the local elevators, and on the basis of this information coming forward from the wheat board you then attempt to allocate boxcars to accommodate the grain. This is new to me because I was under the impression that quotas, in so far as a local elevator is concerned, were established after there

was space available. Are you suggesting that the Canadian wheat board give you an advance allocation of quotas at the beginning of a year or a period, whether it is one month, three months or whatever it is?

Mr. FRAINE: That is right.

Mr. OLSON: I think that is all for now, Mr. Chairman.

The CHAIRMAN: Mr. Hamilton wanted to make a comment on your previous question, Mr. Olson.

Mr. HAMILTON: I would like to give you our position on the question of loading at night. As you are well aware, all inspection in Canada is done on a visual basis, inspectors looking at the grain, and when it is loaded we issue this certificate final which, in effect, is a guarantee by the government of Canada that the grade of the grain will be up to the specifications required. A certificate final means that so far as the government of Canada is concerned, this is the final document. Once you start loading at night—you heard it said that there are no facilities here to unload—if you make a slip, you begin to live a little bit dangerously, so far as we are concerned.

The CHAIRMAN: Before we proceed any further, Mr. Craig wanted to make a comment about the working hours. We were talking about the eight-hour day and I forgot to allow him time to speak. He wanted to do this some time ago.

Mr. CRAIG: Thank you, Mr. Chairman. I was of the impression that one of the speakers was of the opinion that within the port of Vancouver one could only work eight hours a day. I would like to correct that impression. At the present time, due to the extreme congestion in the port because of the labour problems we had in late November and early December, it has not been the habit lately of working overtime, the ordinary working hours being from 8 a.m. to 5 p.m., because all available labour is working during the day. If there is a surplus of day labour we can—I am thinking primarily of loading grain vessels—load in the evening or at night, from 6 to 10 p.m., which is done on rare occasions. The men are good for seven and a half hours but the elevators are good for four. It is not the custom to do this, naturally, because of the excessive charges involved. We can, and it is permissible, on general cargo work until almost midnight, and on grain vessels until 10 o'clock. Again, I say, due to conditions, as they exist today, overtime is not being worked except the one hour, as I believe Mr. Moen has mentioned, from five to six, which would be to finish a vessel to sail for sea. There is one other correction I would like to make. One of the members asked about a berthage charge. I might say the National Harbours Board elevators berthage charge is 10 cents an eight-hour period or 30 cents a day per lineal foot, which is considerably less than the 45 cents I mentioned to you, sir, which is the charge at some other terminal. I just wanted to make that clear with regard to NHB charges.

Mr. FORBES: May I ask you one supplementary question. Are we meeting our sales commitments up to the present time? Are we supplying wheat according to our sales orders?

Mr. RIDDELL: Mr. Chairman, at the end of January the carry-over was just slightly above normal. A normal carry-over, due to non-arrival of vessels, is usually between two and a half to three million bushels. I think our wheat

carry-over at the end of January—that is, sales made for delivery in January —was not picked up to the extent of about five million bushels. With the smaller program in February, if the vessels arrive to pick up the January-February cargoes, there should be no carry-over by the end of February.

Mr. FORBES: Could you tell us what countries we are slack on?

Mr. RIDDELL: There have been Chinese vessels waiting in the port up to the end of the week because of non-arrival of certain grades, No. 4 and No. 5 wheat, which were required to fill the old contract. But the Chinese finally agreed to permit the loading of new contracts into these vessels in order to despatch them, and the No. 4 and No. 5 wheat will be picked up later.

There is only about one other country, I think, Venezuela has been late in getting her ships in for some wheat that was bought for January delivery.

Mr. FORBES: That means you are losing those sales and as a result have not been able to fulfill these contracts?

Mr. RIDDELL: You do not lose the sale but the delivery is delayed. It may be, of course, for reasons of their own, a buyer may have bought grain in some other market in order to fill a need. That is always a danger. But, in so far as the fulfilling of the contracts is concerned, even if there has been a delay they will be fulfilled.

Mr. CLERMONT: Mr. Chairman, I hope those 65 diesel engines were bought in Canada?

Mr. FRAINE: Yes sir.

The CHAIRMAN: I still have a long list of questioners. We have Mr. Gundlock, Mr. Danforth, Mr. Pugh, Mr. Watson, Mr. Ricard, Mr. Comtois and Mr. Tucker. The time is going so if you can be brief, I would appreciate it.

Mr. GUNDLOCK: I will be very brief, Mr. Chairman. I have a question to Mr. Craig, as an agent. You mentioned, during your introductory remarks, a charge of $225, I think it was, for berthing or anchorage. Could you tell us approximately what it costs that operator when he anchors for one reason or another. You, as his agent, should know what a round figure cost to the owner of that vessel would be per day.

Mr. CRAIG: It depends on the size of the vessel.

Mr. GUNDLOCK: Suppose it is of average size.

Mr. CRAIG: "Average" is difficult to define these days. We have them in here from 10,000 tons to 35,000 and 36,000 tons. The cost of that vessel to the owner could vary from $1,500 to $3,500 a day.

Mr. GUNDLOCK: That cost is to the owner?

Mr. CRAIG: Just sitting doing nothing.

Mr. GUNDLOCK: How long would an owner put up with that?

Mr. CRAIG: The vessels are fixed; they are permitted so many running days to load a cargo, and this is part of the contract of carriage. If he despatches the vessel and the shipper is paid or the charterer is paid despatch, if the vessel is given 10 days to load and it took 20 the owner assesses demurrage, which is

usually twice the rate of despatch. But that demurrage rate never covers his actual cost. You might have demurrage at $1,500 a day and despatch at $750. So, depending on the size of the vessel, it is still within the realm of possibility that it is costing him another $1,500 a day to lie idle, waiting for a berth or cargo, depending on the circumstances—or, due to a labour problem, where he cannot wait.

Mr. GUNDLOCK: We mentioned this period earlier. I think Mr. Riddell was speaking about it in his report. In respect of these vessels lying off, with demurrage costs, would you, as an agent, tell me how long they would wait. We know that some of them did not wait. How long would they normally wait, where would they go, and would you, as an agent, assist them to find another cargo, say, in Seattle.

Mr. CRAIG: There were lots of ships, when we had labour problems here, that had general cargo on board for Vancouver that discharged in Puget Sound, Columbia River. To my knowledge, there were maybe one or two ships that were fixed for grain that went elsewhere, but the owner was in a position to substitute another vessel when working conditions improved and the ship would not have to stay here for any lengthy period. During this period, speaking personally, I know of a 25,000 ton ship which was in Vancouver for 41 days before it sailed with a cargo of grain. I must admit that during that period, from November 17 to the 21, there was a strike. There was a slowdown from November 22 to 28. Then there was another no work period from November 29 to December 9. That cost that owner a lot of money. As was the case with a lot of these ships, they are on time charter. There were ships taking grain to China that were on time charter to the Chinese government; the Chinese are the disponent owner, and he is paying maybe a figure of $3 or $3.25 per dead-weight ton per month, and if you have a ship of 30,000 tons and you are paying $3.25 a ton a month, you are paying a lot of dollars per day.

Mr. GUNDLOCK: I would like to continue but I will not. I have one short question for Mr. Fraine. You mentioned, Mr. Fraine, that shipments from southern Alberta mainly go through the Kicking Horse, Calgary, and then you said southern Alberta delivery goes to Golden. Why this?

Mr. FRAINE: It goes through the Crowsnest Pass, sir.

Mr. GUNDLOCK: Yes, and then to Golden, you said.

Mr. FRAINE: That is right.

Mr. GUNDLOCK: Why not on out?

Mr. FRAINE: We can handle it more expeditiously via Golden than we can the other way.

Mr. GUNDLOCK: Then, really, it all goes the same way.

Mr. FRAINE: From Golden west, yes.

Mr. DANFORTH: Mr. Chairman, in view of the lateness of the evening and the number of members who still wish to ask questions, I will make mine very brief because there will be other opportunities in the days ahead to get much of the information that I seek.

One thing that comes to mind is the fact that shipping is a very expensive business, a very complicated business and it is run by hard-headed business men. Now, because of the fact there have been difficulties in the port of Vancouver in the shipments of grain—and this is not current; it has extended sometimes over months and a figure of 41 days was given to us as the length of time one ship was tied up—has there been any indication that the rates asked by shipowners for carrying grain to the Orient or anywhere else out of our west coast ports are being raised, have been raised or has a raise been contemplated?

Mr. CRAIG: I trust that you were not thinking of a surcharge being put on the port. That is a nasty word and I will not comment on it. Captain Johnson may wish to. The world charter market for vessels varies considerably. At the present time let us say it is low, that it is a sloppy market, and an owner is not getting a very high rate for his ships. When he hears of lengthy delays in Vancouver, he will do his best to fix his vessel in some other direction with some other type of cargo. This, to my knowledge, is happening at the present time with a couple of owners and this is a pattern that follows. There was a problem here with grain ships today, but right now—and Mr. Riddell will bear me out on this—ships are coming in and, in so far as wheat is concerned, are being despatched at a good rate.

Mr. DANFORTH: This does not quite answer my question. Has there been an increase in rates for grain out of our west coast ports because of the tie-ups?

Mr. CRAIG: No, not to my knowledge.

Mr. DANFORTH: Do you anticipate that there will be one?

Mr. CRAIG: No.

The CHAIRMAN: Captain Johnson would like to make a comment.

Mr. JOHNSON: I think Mr. Craig has answered very well. I was thinking you were speaking of, perhaps, some reports in newspapers just recently about surcharges. If so, this applies to a different type of traffic. This, generally speaking, is a so-called berth or liner traffic—ships which are in a regular trade and come in, more or less, on schedule or on a published itinerary, and I can tell you that no such surcharges are imposed. They were considered but I think it is very unlikely that they will be imposed.

Mr. DANFORTH: Thank you sir. One more question Mr. Chairman, and then I will pass. This question is directed to Mr. Riddell. I was very much interested in Mr. Riddell's thorough explanation of the facilities we have here on the west coast and the way in which they are utilized. But, in Ottawa we are very much alarmed if there are rumours that the grain is not moving; we are very much alarmed if there are rumours that we cannot accept sales to the Orient because we just cannot physically move the grain. Mr. Riddell, you stated that our facilities, which will be, I think, 31 million, if all the new anticipated construction is completed, in your opinion, given the optimum conditions, would be sufficient. But, Mr. Riddell, this is a long-term proposition; you cannot build port facilities or upgrade them in a matter of months. It sometimes takes years. What position would the Canadian government be in if we were asked 18 months from now to increase our shipments out of the west coast by perhaps 80 to 125 million bushels? Where do we stand?

Mr. RIDDELL: Well, of course I was not taking any such proposition into account, that you would be asked to increase the facilities to that extent. But, taking normal anticipated business over a period of years, the foreseeable five or six years ahead, I think that the facilities are adequate to handle it. I might have added what I said before, regarding the requirements; so much storage to meet certain emergencies due to lack of railway facilities or lack of vessels coming into port. I have always felt an emergency supply or an emergency reserve of readily available grain of the types that are commonly shipped from the port should be maintained in the interior terminals at Calgary, Edmonton and perhaps Lethbridge, so that if the worst came to the worst, if there was a delay in meeting contracts due to lack of grain in the port, trainloads of the required grain could be shipped forward from these interior terminals.

Mr. DANFORTH: Thank you, Mr. Riddell. I will pass, Mr. Chairman.

Mr. PETERS: Could I ask a supplementary question? If the need to increase the facilities that Mr. Danforth mentioned became a fact, through an increased sale or something of this nature, who would do this? What is our arrangement for increasing terminal capacities? Would this have to be through the National Harbours Board facilities?

Mr. RIDDELL: The National Harbours Board own some of the facilities in the port, which are leased to elevator operators. Other of the facilities are owned by the pool, the United Grain Growers and one of the private companies. The owners of the facilities or the lessees would probably have to arrange for any additional storage or handling facilities which would be required.

Mr. PETERS: The arrangements now are voluntary on the part of everybody but the National Harbours Board?

Mr. RIDDELL: Purely voluntary, yes.

Mr. PUGH: Mr. Chairman, I have a question for Mr. White with regard to this eight-hour day. He mentioned that there could be shifts from six o'clock to ten o'clock at night. Is that on overtime?

Mr. WHITE: Yes.

Mr. PUGH: In other words, there is one series of longshoremen who work on an eight-hour day. There is no such thing as calling in two shifts or even three shifts?

Mr. WHITE: This is rather difficult to explain. The longshore agreement with the shipping federation in respect of the grain—that is, bulk loading—is for three shifts. But, in order to work the elevators three shifts, it is necessary to have government inspectors for three solid shifts; government weighmen for three shifts; government samplers for three shifts. When a shift will work possibly two extra shifts a week, what is going to happen to these government inspectors at that elevator?

Mr. PUGH: I take it that these government inspectors are working over a certain period of time if you have longshoremen working from six o'clock to ten o'clock in the evening.

Mr. WHITE: By gentlemen's agreement with the elevators, they will work a maximum of four hours at night to help get a ship loaded.

Mr. PUGH: This is not in any form of longshoremen or labour contract?

Mr. WHITE: It has nothing to do with the longshoremen. The longshoremen work from five o'clock at night right up to one-thirty in the morning. This is the second shift. When the elevator people agree to work for four hours, this is the maximum that anyone can expect a man to work. In other words, these men in the elevators are working up to 12 hours a day, and the reason for this is because of the inspection part of it.

Mr. PUGH: I rather gathered from Mr. Moen that you did have only a certain capacity on take-in, and gearing to throw it out. I think I have the answer to my question but I would like to ask Mr. Craig a question on this. Could you give me, with regard to costs of handling the loading ships, the percentage you estimate is put out in overtime.

Mr. CRAIG: That is a difficult question. We are speaking now of grain ships. There are a lot of owners, depending on the market, who wonder whether it is worth it to them to work on a Saturday. To work two belts in an elevator on a Saturday, on a conventional ship, would cost about $1,100. It would cost $110 an hour for the elevator and time and a half for the longshoremen. Who is going to pay the $1,100? A lot of ships, depending on their type of charter, would refuse to work on a Saturday. If you have a ship worth $3,500 a day, you are not going to let $1,000 stand in your way to sail a ship on a Saturday rather than a Monday night; so you work on the Saturday to sail Saturday night rather than lay over—there is no Sunday work in British Columbia—and finish on Monday. On grain ships, it is difficult to give the percentage of overtime hours. I would not have that figure. It might be obtained, but I cannot answer the question now. It would be very few.

Mr. PUGH: Do you feel happier, as an agent for owners, to be able to load on a normal scale rather than on overtime.

Mr. CRAIG: We recommend overtime if we feel it is going to be of a distinct advantage to the ship. It is common to have in the port of Vancouver, when we are really busy, maybe six, seven or eight ships for the account of the Chinese charterer. They are all on time charter. He is a disponent owner. If you have one ship in Mr. Moen's elevator and another one waiting to get in there, he will work overtime to free the berth for the second ship.

Mr. PUGH: I am getting the picture but I have one more question which you, as an agent, would probably have the answer. Because of the labour troubles and so on in the port here, for one reason or another—and I do not mean the port labour troubles; it could be a tie-up on trains coming in and that sort of thing—do you think that we are being discriminated against as a port with regard to the type of vessels coming in; in other words, the better type of grain carriers are not coming into this port?

Mr. CRAIG: You say, "a better type of grain carrier". Let me put it this way: If a charterer time charters a vessel, he is a disponent owner. He wants an efficient vessel with the most speed, the smallest fuel consumption, at the cheapest rate that he can lay his hands on. Now there are some older vessels aroung which, once they meet the Port Warden and Department of Agriculture

standards for cleanliness—whether they go five knots or 15 knots does not make a lot of difference; they are all capable of carrying grain—do come in. We do get some real old-timers in here for grain, and we get some of the most modern ships afloat.

Mr. PUGH: We saw four types of ships illustrated. Because it is desirable to have the cheapest loading charges and a capacity to load quickly in order to clear the ship out of port, do you think we are lacking in good types of ships coming here? Are certain ships discriminated against?

Mr. CRAIG: There is no discrimination against ships. The only type of ship that the elevator operators do not like to see around here is a tanker; they are too slow.

Mr. PUGH: Thank you very much.

Mr. WATSON (*Assiniboia*): Mr. Chairman, I am not going to take too much time. A good many of my questions have been answered.

Mr. Craig, you were referring to the 41 days that some of the ships were tied up in the strike last fall. Could you give me the total of the shipowners' demurrage cost in respect of those ships which were sitting in the port of Vancouver last fall when the strike was on? I would like to know the combined total?

Mr. CRAIG: I would hazard a guess at the average cost per vessel. I do not know how good Captain Johnson's memory is with regard to the number of ships waiting for grain during that period. It would average out to a figure of perhaps slightly less than $2,500 per day per vessel.

Mr. WATSON (*Assiniboia*): How many vessels would there be in the port of Vancouver during this period?

Mr. JOHNSON: We have a rough figure, taken on average, it was about $75,000 a day for grain ships at one time. I would think that during the 25 days we were tied up here it would have averaged about $50,000 per day for 25 days.

Mr. WATSON (*Assiniboia*): I will direct my next questions to Mr. Riddell and possibly Mr. Moen, collectively, which pertain to their initial statements regarding the unsatisfactory use of the facilities of the inland elevators, because you do not have the proper type of grain here to load into the ships. How large are the bins at the terminal elevators here?

Mr. MOEN: I think you will find all the details of that in the brochure. They are different sizes, but our large tanks hold 33,000 bushels. We did not say it would not be feasible to have the inland terminals—but I did mention the difference in cost. It does cost roughly six cents a bushel extra on wheat to have it stopped off at a government terminal, cleaned and forwarded on. You have stopover charges; you have extra freight charges that you put onto this, and you have extra labour in handling it. I think that pretty well answers the question.

Mr. WATSON (*Assiniboia*): This brings up another problem. I am going to refer again to the terminal elevator at Moose Jaw which during the period from 1961 to February 28, 1966 received only 895,000 bushels of wheat. The drop-off charges in this same period of time, on that grain would be approximately

$55,000. How do you justify the fact that in this same period of time there would be roughly $700,000 paid in wages at this terminal elevator to handle less than 900,000 bushels of wheat, and on the other hand, we are complaining about the drop-off charges of six cents a bushel. These figures do not work out, to my way of thinking. There must be some means by which this could be rectified in the over-all plan. I believe one of the gentlemen mentioned the Lethbridge and Calgary elevators, which were closer to the port. Could this not be worked into the Moose Jaw terminal elevator too?

Mr. RIDDELL: Mr. Chairman, you have asked a question but there are certain unrelated factors in connection with it. You mentioned, I think, that the Moose Jaw terminal took in a certain quantity of grain over a certain period, and that it paid out a considerable amount of money in wages. Offsetting these wages, of course, would be the earnings of the terminal for the intaking of that grain and the earnings while it was in storage. That is something that comes under the board of grain commissioners, and I am sure that the results of that operation are fully covered in their annual reports. The stop-off charge we mentioned is a charge made by the railway company for stopping off grain in transit at one of these interior terminals. I should mention here that the grain which comes from western Saskatchewan and Alberta, through to the Pacific coast, comes through on the Crowsnest Pass rate, and the rate from the area in western Saskatchewan to Vancouver is the same. It is the break even point. In other words, they are shipping grain from western Saskatchewan at the point where it is slightly cheaper to ship it under Crowsnest Pass rates to Vancouver than it would be to Fort William. Actually, in order to maintain quality and to provide the actual requirement of wheat; they do ship wheat from an area in Saskatchewan where it would be slightly cheaper to ship it to Fort William. This is what is known as the three cent and lower differential area. In so far as the stop-off charge is concerned, the railway company makes a charge which was recently increased, I believe, at the 1st of January this year, to five cents per hundred pounds. This is an added cost for stopping off grain at the interior terminals at Calgary, Edmonton and Lethbridge for cleaning in transit. These terminals also receive the tariff rate set by the board of grain commissioners, which is two and seven-eights cents per bushel elevation. These charges add up to the extra six cents per bushel, the cost mentioned for stopping off grain for cleaning in transit. I do not know whether I have answered your question but, as I have stated, Mr. Chairman, there are some factors that are unrelated.

Mr. WATSON (*Assiniboia*): I have another question, which I would like to put to Mr. Hamilton.

The CHAIRMAN: Is it a short question?

Mr. WATSON (*Assiniboia*): Yes, a real short one. This pertains to the elevator at Prince Rupert.

Has the contract been let or is it nearly ready to be let for additional construction to the terminal elevator at Prince Rupert?

Mr. HAMILTON: Mr. Chairman, I think I should answer by saying it is nearly ready to be let. New specifications are being drawn up and tenders will be called shortly. No contract has as yet been let.

Mr. WATSON (*Assiniboia*): What is the size and capacity of the elevator? Will the additional capacity provide for another one million or two million bushels?

Mr. HAMILTON: Mr. Chairman, we are after an additional capacity of one million bushels. The elevator is presently just over a million bushels.

Mr. WATSON (*Assiniboia*): Do you feel that it has a large enough capacity to look after any future demands that might be put on the port facilities at Prince Rupert in respect of the shipment of grain, or should we be thinking in terms of a three of four million bushel addition rather than one million bushels.

Mr. RIDDELL: Mr. Chairman, I think the reason for increasing the capacity of the elevator at Prince Rupert is merely to provide sufficient grain to meet incoming vessels at the time. Right now, with a limited capacity of one million bushels, or slightly over, there are very often times when there is not sufficient grain to completely load a vessel, which the result that the vessel has to wait for incoming carloads of grain to be taken into the elevator and cleaned before it can be loaded. That is the reason for the increase of one million bushels.

Prince Rupert has no particular advantage over Vancouver or the other ports. In fact, it has a disadvantage in that for most markets it is slightly out of line. It has a slight advantage in the case of the Japanese market because it is nearer to Japan than Vancouver. It is sometimes possible, provided the grain can be sold for shipment from that one point, from Prince Rupert, for the Japanese or another buyer in that locality to obtain a slightly cheaper freight rate than would be the case from Vancouver.

Mr. WATSON (*Assiniboia*): Mr. Riddell—

The CHAIRMAN: Mr. Watson, you indicated that you had just one short question about six questions ago. I hope you will sum up very quickly.

Mr. WATSON (*Assiniboia*): One further short question, Mr. Chairman. When do you anticipate the elevator will be completed?

Mr. HAMILTON: We hope it will be ready to take grain in 1968.

Mr. RICARD: I have just one or two short questions. Coming from the east and therefore, not knowing too much about grain and wheat you may think my questions somewhat out of line, but I wish to ask them just the same. Since we are in competition with other countries, does our wheat compare favourably with theirs?

Mr. HAMILTON: Mr. Chairman, I think I would answer this way. The top grades of Canadian grain are almost specialty grains in the world market. We think that the top two or three grades we have are better than those of our competitors.

Mr. RICARD: With regard to the cleaning facilities here at the port, from the standpoint of practicability and also efficiency, are you equipped as well as they are in the United States and other countries?

Mr. HAMILTON: I have no hesitation in answering that our Canadian terminals are second to none. They are the best in the world.

(*Translation*)

Mr. COMTOIS: Mr. Chairman, I merely want to know what the background of grain movement represents from the point of view of dollars and cents starting from the farmer through the railway, elevator, and transport to foreign countries. And at the same time, I would like to know who receives the government subsidies all along the line.

(*English*)

The CHAIRMAN: You said that was a short question. We will give you a short answer, it will be prepared for the next meeting. That is a long question and, necessarily, the answer would be quite detailed. It would be difficult to provide a detailed answer at this stage.

(*Translation*)

Mr. COMTOIS: Mr. Chairman, could we perhaps have a brief view into each stage of the proceedings, and of what each stage represents in dollars and cents? An average, maybe?

(*English*)

Mr. RIDDELL: Mr. Chairman, generally when we are talking about the volume of wheat at the ports, it is usually computed on a basis of about $2 per bushel at the port. So if you ship 200 million bushels of wheat out of this port, the value would be in the neighbourhood of $400 million.

(*Translation*)

Mr. COMTOIS: In regard to the $2, how much does the farmer get? How much does the railway get? And how much does the elevator get?

(*English*)

The CHAIRMAN: I think you will find that fairly well outlined in the summary that was prepared for us in Ottawa before we left. Mr. Hamilton will try to give a quick breakdown.

Mr. HAMILTON: Mr. Chairman, I would like to make available this publication put out by the board of grain commissioners, which gives a breakdown of the cost, interior handlings, rail freights, seaboard "F.O.B.-ing" and ocean transportation for each of the export ports in Canada.

The CHAIRMAN: Do you wish to have that printed as an appendix, Mr. Comtois?

Mr. COMTOIS: Yes.

The CHAIRMAN: Is the committee agreed?

Some hon. MEMBERS: Agreed.

Mr. TUCKER: Mr. Chairman, what was the total value for wheat sales in 1966?

The CHAIRMAN: All wheat sales in Canada?

Mr. TUCKER: Yes.

Mr. HAMILTON: Mr. Chairman, the total wheat export sales were 503,446,000 bushels for the 1966 calendar year.

Mr. TUCKER: I am not too sure to whom I should direct this short question, but I will direct it to Mr. Hamilton. If I remember correctly, a few years ago a shipment or two of our wheat went to the market, containing glass. What effect has this glass upon a shipment when it reaches its destination?

Mr. HAMILTON: This was the story of the broken bottles in the grain that left eastern Canada?

Mr. TUCKER: Yes.

Mr. HAMILTON: There was never an official complaint lodged by the importing country, which happened to be Russia. There was no official complaint lodged. They just drew it to our attention. They were disturbed. Their representative was standing on the dock; he saw a couple of beer bottles tossed in, and it got a big play in the papers. It was serious, certainly, but really not as serious as you would take it, from reading the papers. Probably there were half a dozen beer bottles involved; two or three of them broken and two or three of them not broken.

Mr. TUCKER: Has it happened since then?

Mr. HAMILTON: No, not such a case, although glass in grain is a continuing problem. There is lots of glass in grain and it comes from farmer's windows, birds flying through the bins in country elevators, and so on. It is a continuing problem.

Mr. TUCKER: Thank you.

The CHAIRMAN: I want to thank everyone for coming here tonight.

Mr. PETERS: Before we close, could I ask one question of Mr. Moen. When you are shipping four or five grades of grain and you have a grade left over that you do not sell, how do you get rid of that bottleneck?

Mr. MOEN: Some of these grades stay in the elevators for long periods. The board of grain commissioners told you that you cannot mix the top four grades of wheat. They must go out as they are graded in. If we have lower grades of grain, this can be manufactured and sold to the best advantage. I am speaking of rejected grades, Nos. 5 and 6. You should see the numerous grades that the wheat board has to contend with, and this is the number of grades that we get delivered here to the terminals, although sometimes it is only one car in a year. There could be as many as 300 or 400 grades of wheat in a year. Many of these grades have to be manufactured into a saleable commodity. Sometimes they have to be sold only for feed.

There is a ready market for screenings all the time. Screenings is a by-product of cleaning, and they vary with the competition, the supply and demand of other types of feed.

Mr. Chairman, I would like to make one addition, if I could at this time, because I believe I neglected to give you the proper information. I have forgotten the man that asked me. He was talking about improvements that could be made in the terminals to handle greater volume and this type of thing. One of the things I neglected to say was this. When you read this brochure, you will see that the Alberta Wheat Pool has a 1120 foot dock. It was printed some years ago, and

we have had some reprints of it. They are talking about a three-berth dock. I do not know how many years it is since we have had three vessels in that berth at one time. Vessels have become larger. We have times now when we can only put one vessel in this berth because there is no other vessel of a proper size that will go in alongside of this one. If one vessel is 750 feet long, you cannot put a 500 foot one in the area that is left over.

At one time we thought we had real deep water when we had 35 feet; now they want 45 and 50 feet. I do not know how high they are going. This is something that all the terminals are continually working on and improving. It requires, for vessels that are wider, either gantries that will put the grain farther out, to reach those bins that are on the vessels farther away from the loading galleries, or higher galleries so you can use gravity to pour the grain farther out. All terminals are working continuously to keep their port facilities up to date in this regard.

There is one further thing I wanted to mention, Mr. Chairman. When making your trip to the terminals tomorrow, all three terminals will supply you with clean jackets to put over your good clothes. There is some dust at these places—it is never perfect—but you will not find it too obnoxious. Also, if you want to bring your interpreters along with you, this is quite in order, it is a common thing to have ladies going through our terminals. Some of the terminals may have somebody who is bilingual. We will have one at our terminal, if he is not sick. Perhaps you should check because some of the elevators may not have these people to explain the operations at the terminal. It may be a better arrangement to have your own members mixed in so that the interpretation could be provided from other people on your committee.

The CHAIRMAN: I think this can be arranged. I want to thank, on behalf of the committee, Captain Johnson and his executive assistant, Mr. Pickering, for arranging to have such capable witnesses appear before us tonight. It certainly has been appreciated. We have had a very informative meeting. Captain Johnson, did you want to say something about the trip tomorrow?

Mr. JOHNSON: No, Mr. Chairman. I think you have been given a broad outline of the tour. You will be picked up by one bus here at 8.30 a.m. You will have a tour conductor. Mr. Pickering will look after you during the first portion of the tour. Mr. Pickering will change horses; he is going to look after the Japanese after that, and Mr. Carlyle will take over. He will make sure you are picked up at your respective elevators and taken out to the Royal Vancouver Yacht Club for lunch. I think I mentioned before that Mr. Duncan, a member of the National Harbours Board, will be your host there.

The CHAIRMAN: Thank you. The meeting is adjourned.

APPENDIX I

Prepared by the Research Branch Library of Parliament

THE CANADIAN WHEAT BOARD: ORDERLY MARKETING OF CANADIAN GRAIN

The Canadian Wheat Board is a federal regulatory agency responsible for the "marketing in an orderly manner, in interprovincial and export trade, grain grown in Canada". The board has wide statutory powers to control all sales and movement of Canadian wheat and wheat products in interprovincial trade and export[1]. These powers may be extended wholly or in part to oats and barley by the Governor-in-Council. (The powers can also be extended to rye, flaxseed and rapeseed, though these powers are largely unused.) Currently, the board administers the Canadian Wheat Board Act 1935 (RSC 1952 ch. 44 as amended) through regulation number SOR/66-330 (CANADA GAZETTE PART II 1966, p. 949). In addition there are a number of other regulations setting the annual price structure, initial payments and adjustment and distribution of final receipts to producers. The board does not own any property, elevators or railway stock other than an office building and equipment worth 4½ million. It is decentralized from the federal government at Ottawa, with headquarters in Winnipeg. However, by statute it is required to report monthly or oftener, in detail, to the Minister. An annual report is presented to Parliament.

The Board has been part of the export trade responsibilities of the Minister of Trade and Commerce since its inception in 1935 (SC 1935 c53) except for the periods 1960-63 and Feb.-Oct. 1966. Since November 1966 Minister of Trade and Commerce Robert Winters has assumed this responsibility with Bruce S. Beer acting as Parliamentary Secretary in relation to Canadian Wheat Board matters.

Grain Standards regulation and Canadian Government terminal elevators are administered by the Board of Grain Commissioners for Canada under the Canada Grain Act (RSC 1952 chs. 25 and 308 and amendments) through regulation number SOR/66-382.

The powers of the Canadian Wheat Board are included within the general power of Parliament for "regulation of trade in matters of interprovincial concern and . . . general regulation of trade affecting the whole Dominion"[2]. As well, mills and warehouses are listed in a schedule to the Act, as works declared to be for the "general advantage of Canada" and thereby subject to federal regulation under section 91 of the British North America Act[3].

The board borrows all its capital, guaranteed by the government, from chartered banks. With this, it buys grain at a set minimum price according to a quota and grade policy set by the board and/or the Governor-in Council. At the end of a crop year (July 31) the surplus received by the board through sales of

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[1] This is a monopoly power which Parliament must renew periodically, usually every 5 years. The current powers expire August 1967.

[2] Bora Laskin. *Canadian Constitutional Law*. Toronto, Carswell, 1966, p. 303.

[3] Laskin, pp. 357-70.

the wheat is distributed to the producing farmers according to amount and grade supplied, less administration costs of the board. The producer pays 100 per cent of the administrative costs of the board, charged against the proceeds of the sale and deducted from the proceeds before final disposition is made to the producer. The producer also bears any handling, shipping or bank interest charges that the board may incur, charged against the final payment.

The Canadian producing farmer receives no direct subsidies but two federal programs assist him indirectly. To support the requirements of a surplus for wheat export trade, all amounts in excess of 178 million bushels stored in the elevators are paid for by the federal government under the Temporary Wheat Reserves Act. Transportation costs are reduced to the farmer on grain for export by the Crows' Nest Pass agreement, under a more general federal subsidy to the railroad companies to make up for such losses.

The initial payment producing farmers receive is in effect a "bank loan" towards final sale of the wheat effective at the end of the crop year, July 31. The "loan" is guaranteed by the government and administered by the Canadian Wheat Board, interest payments being shared by all producers. Surplus wheat is stored to meet export requirements and costs are also shared by all producers. The cost of freight to Port Arthur-Fort William and the handling charges of the country elevator are deducted from the initial payment, which in 1966-67 is $1.50 per bushel for No. 1 Manitoba Northern.

Such costs may reduce actual cash received by the producer to somewhere in the range of $1.20-$1.35 per bushel for export wheat and $0.90-$1.10 for non-export wheat. (Two-thirds of the 1964-65 crop was exported).

Each producing farmer receives annually a permit book which must be presented when the wheat is brought to the local country elevator. Each wheat or other grain sale must be entered in this permit book unless the wheat is for consumption within the province. Each permit book contains the registered acreage owned by the producer, and a maximum delivery of bushels per acre is set by the board. By this means the board attempts a rough equality between producers taking into consideration adjustments required by special demands as the season progresses.

The wheat is graded on delivery to the country elevator and the farmer paid the initial price less dockage, handling and freight charges.

The board is informed of supply at each country elevator and issues orders for shipping to the private elevator companies. They in turn notify a local elevator agent who then places an order for a railroad car with the local railway agent. Meantime, the board has given the railway companies an assessment of the overall requirements for grain shipments to the Lakehead or to Vancouver, as well as information on all shipping orders. The board is notified by the elevator company whenever the grain is placed in storage at the terminal. This procedure is carried on during the crop year to ensure a constant supply of the various types and grades of grain at terminal positions to meet requirements in relation to indicated demand.

The marketing policy of the board derives from a survey of the world export situation and of the needs of eastern Canada. The board regulates, under

the quota and pricing policy, all the wheat moving to these areas from the prairie provinces. Production of wheat for local uses in these provinces and British Columbia is sufficient for local needs with the result that no imports of wheat take place, hence no federal regulation. Oats and barley are sold at daily cash prices quoted by the board, or on the basis of exchange of futures concluded through the facilities of the Winnipeg Grain Exchange. The board does not control the movement of the grains beyond the Port Arthur-Fort William and Vancouver terminal points. It does strictly licence all exports of grains from any point in Canada.

The Canadian Wheat Board maintains sales offices abroad (London, Brussels and Tokyo) and sends representatives to many countries. It actively pursues export sales, with the co-operation of the Department of Trade and Commerce. It assists purchasing countries to arrange special terms with the Canadian government. The international sales operations are maintained under the terms of the International Wheat Agreement.

The First Canadian Wheat Board:

The marketing of grain from the Canadian prairie provinces was a virtual monopoly situation by the year 1900. This monopoly consisted of a few elevator owners and the railroads: the railroads had sole determination over the choice of a local elevator in which grain would be stored prior to shipment on the railroad. In this way the producing farmers were at the mercy of not only a single means of transportation, but were captives of a single elevator company as well. This situation became especially critical as wheat production increased to become within a few years a major segment of the Canadian economy. It replaced the fur trade as the West's dominant product[1].

Average yearly production of wheat in Canada rose from 22.3 million bushels in the 1871-75 period to 54.2 million bushels in the 1896-1900 period. A large share of this resulted from the completion of the Canadian Pacific Railroad in 1886 and the resultant opening of the West. The first prairie wheat was shipped to Eastern Canada from the Lakehead in 1884. As the century closed the agricultural depression began to lift under this impetus and wheat prices improved. In the next ten years wheat production more than doubled. By 1916 Canada could produce nearly 400 million bushels of wheat in a single year. The average yearly production by 1921-25 was 340 million bushels of wheat.

These first twenty years of large scale grain production laid the framework for federal control of grain production and marketing as it exists today. Because of the abuses of the "elevator monopoly" pressure groups were formed to protect

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[1] For more detail see:—

R. D. Colquette. THE FIRST FIFTY YEARS: A history of United Grain Growers, Limited. Winnipeg. Public Press, 1957.

L. D. Nesbitt. TIDES IN THE WEST: A Wheat Pool History. Saskatoon. Modern Press, 1962 (?).

V. C. Fowke. THE NATIONAL POLICY AND THE WHEAT ECONOMY. Toronto University Press, 1957.

P. F. Sharp. THE AGRARIAN REVOLT IN WESTERN CANADA. Minneapolis. University of Minnesota Press, 1948.

the producing farmers. Their first federal success was the Manitoba Grain Act, 1900. "The opening of competition reduced the power of the elevator monopoly and gave farmers new marketing opportunities. It was from this date that Western farmers moved quickly forward, first to ownership of their own commission firm, later to the construction of their own elevators and finally to the establishment of their own marketing organization through the Wheat Pools. Passage of the Manitoba Grain Act and its amendment was the opening word in the long struggle for orderly marketing"[1].

The first Canadian Wheat Board was formed by Order in Council, on July 31, 1919, PC 1589 as amended 7 August 1919, PC 1659 and 18 August 1919, PC 1741. The powers of the Board were extended for eighteen months by an act of Parliament passed 10 November 1919 (1919 (2nd session) c9.).

The first Canadian Wheat Board Act was assented to 1st July 1920 (1920 c. 40). The powers of the Board over grain marketing were somewhat wider than today but lacked the elements of compulsory quotas and rigid controls over export-import of all wheat and wheat products from the prairie-province designated area. The Wheat Board of 1919-1920 had been a response to the speculative conditions of wheat demand in Europe, following the Kaiser war. As such it proved effective in meeting the crisis, but strong pressure from the Grain Exchange and other interests resulted in a return to the former market system. Producing farmers were slow to realize the benefits of the new system, and by the time they did put their support behind the board, it was too late. It took various Western agricultural pressure groups until 1935 to regain this lost ground.

The 1935 Act is the founding legislation for the present Canadian Wheat Board. At first it exerted influence over marketing of wheat by a voluntary subscription of producers to its controls. During World War II a compulsory factor was introduced (order-in-council September 28, 1943) into the marketing of wheat and this was embodied in a 1947 amendment to the Canadian Wheat Board Act. The compulsory or monopoly feature must be renewed by Parliament periodically. The Board itself is appointed during good behaviour with its purpose remaining intact under the statute although its monopoly power must be renewed.

Since 1949, the Governor-in-Council has been able to place all grains produced in Canada under the compulsory inter-provincial or export trade marketing regulations of the Canadian Wheat Board. This power has been consistently used for oats and barley (and for rye, flaxseed and rapeseed, little if at all).

PRODUCTION AND DISPOSITION OF CANADIAN GRAIN

Canadian production of wheat, oats and barley in 1965 totaled 1,278,429,000 bushels with each crop being in greater volume than was produced in the previous year. Of this amount 1,106,000,000 bushels or almost 87 per cent was

[1] Saskatchewan Wheat Pool. TWENTY FIVE YEARS OF ORDERLY WHEAT MARKETING. Regina 1960, p. 3.

produced in the three Prairie provinces included in the designated area of the Canadian Wheat Board Act. In the Prairie provinces production of spring wheat, oats, barley, rye, flaxseed and rapeseed was 1,172,300,000 bushels in 1965. Wheat, oats and barley constituted about 94 per cent of that production, with the other three grains making up approximately the remaining 6 per cent.[1]

In Manitoba, Saskatchewan and Alberta a significant proportion of commercial farms derive a large part of their sales receipts from wheat and other grains. According to 1961 Census data on commercial farms in Manitoba, about 27 per cent of 9,199 out of a total number of 33,522 obtain 51 per cent or more of total sales from wheat. Another 29 per cent or 9,580 obtain a similar volume of sales from small grains including wheat and from other field crops. In Saskatchewan, with 82,285 commercial farms, 55,660 or 68 per cent are classified as wheat farms, and 11,758 or 14 per cent are classified as small grain and field crop combination farms. In Alberta, with 58,698 commercial farms, 12,021 or 20 per cent are wheat farms, and 11,006 or 19 per cent are small grain and field crop combination farms.[2] [3] [4]

The proportion of farm cash receipts obtained from wheat, oats and barley, rye, flaxseed and rapeseed in each of the Prairie provinces varies with the distribution of farm type. During 1965, in the province of Manitoba, wheat contributed $110,812,000 or 33 per cent of the $337,392,000 cash receipts obtained from farming operations. Oats and barley contributed $23,869,000 or 7 per cent. Rye, flaxseed and rapeseed together contributed $30,134,000 or 9 per cent of those cash receipts.

In Saskatchewan, the portions of 878,940,000 cash receipts from farming operations derived respectively from wheat, oats and barley, rye, flaxseed and rapeseed were 598,764,000 or 68 per cent, 47,893,000 or 5 per cent, and 27,490,000 or 3 per cent. In Alberta, with cash receipts from farming operations of 650,-563,000, the portions derived respectively from wheat, oats and barley, rye, flaxseed and rapeseed were 200,902,000 or 31 per cent, 57,881,000 or 9 per cent, and 83,516,000 or 13 per cent.[5] These figures indicate the significance of these grains to the farmers and to the organizations involved in marketing.

The supply and disposition of Canadian wheat from the crop year 1960-61 to the present is outlined in Table 1 on the following page. Production during the last four years has reached an all time high, with the largest crop in Canadian history being harvested in the current crop year. Large exports during 1963-64 and 1965-66 have contributed to reduce the carryover at July 31, 1966 to an estimated 422.9 million bushels which is the lowest in four years and lower than the 10-year average (1955-1964) of 562,991,000 bushels. Of the total disposition of 546.9 million bushels of wheat during 1964-65, 399.6 million bushels or 73 per

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[1] *The Wheat Review* 37(2):8, September 1966.

[2] Canada. Bureau of Statistics. *1961 Census of Canada. Agriculture. Manitoba.* Bulletin 5.3-1. Ottawa, Queen's Printer, 1963. p. 15-1.

[3] *1961 Census of Canada. Agriculture. Saskatchewan.* Bulletin 5.3-2. Ottawa, Queen's Printer, 1963. p. 15-1.

[4] *1961 Census of Canada. Agriculture. Alberta.* Bulletin 5.3-3. Ottawa, Queen's Printer, 1963. p. 15-1.

[5] Canada. Bureau of Statistics. *Farm Cash Receipts,* vols. 26 (4) 27 (1). Ottawa, Queen's Printer, 1966. p. 6.

cent was exported. Exports of wheat and wheat flour in 1965 contributed $906,580,000 or about 10 per cent of Canada's total domestic exports of $8,522,-953,000. Distribution of wheat exports by countries of final destination is outlined in Appendix A. Asian countries, particularly Mainland China and Japan, have been taking increasing quantities of wheat and in 1964-65 took slightly more than all the western European countries of which Britain and the Federal Republic of Germany have been the leading importing countries.

TABLE 1

TOTAL SUPPLY AND DISPOSITION OF CANADIAN WHEAT 1960-61—1965-66 AND ESTIMATED SUPPLY, 1966-67
(Crop Years August 1 - July 31)

Item	1960-61	1961-62	1962-63	1963-64	1964-65[1]	1965-66[1]	1966-67[2]
	million bushels						
Supplies							
Carryover, at beginning of crop year	599.6	607.8	391.1	487.2	459.4	513.0	422.9
Production	518.4	283.4	565.6	723.4	600.4	648.9	799.8[3]
Imports wheat and flour	[4]	[4]	[4]	[4]	[4]	[4]	
Totals	1,118.0	891.2	956.6	1,210.7	1.059.9	1,161.9	1,222.8[3]
Disposition							
Exports wheat and flour	353.2	358.0	331.4	594.5	399.6	582.8	
Human consumption	56.3	58.9	53.0	59.1	57.5	58.8	
Seed	35.9	37.7	39.1	42.1	40.0	41.9	
Industrial use	1.5	1.5	1.5	1.5	1.9	1.9[5]	
Carryover, at end of crop year	607.8	391.1	487.2	459.4	513.0	422.9	
Residual item[6]	63.2	44.0	44.4	54.0	47.8	53.6	
Totals	1,118.0	891.2	956.6	1,210.7	1,059.9	1,161.9	

[1] Revised.
[2] Subject to further revision pending receipt of Board of Grain Commissioners final data on commercial stocks at July 31, 1966.
[3] Based on conditions as at August 15 and subject to revision as later estimates become available.
[4] Less than 50,000 bushels.
[5] Estimated.
[6] Includes feed for livestock and waste but also reflects the effect of any estimating errors in other components of the balance sheet.

SOURCE: *The Wheat Review* 37(1): 3, August 1966.

The prospects for continuing substantial exports of Canadian wheat appear to be good. The Wheat Review states the prospects as follows. "Summing up prospects to 1970 for Canadian wheat and flour exports, the developed countries offer an increasingly competitive market for as much as 220 million bushels; the developing countries offer us 70 million bushels, including the larger food aid commitments; Mainland China seems likely to take 90 million bushels; the Eastern European countries may account for 35 million bushels, and the U.S.S.R. up to 112 million during each of the next three years. Thus, an annual volume of between 475 and 550 million bushels is likely until 1970". Considering the rate of population increase in less developed countries, Dr. Merril W. Menzies foresees an even greater demand for our wheat. His views are detailed in the item Wheat Features, *Winnipeg Free Press*, January 18, 1967 shown in Appendix "B". According to the research director of Searle Grain Company, W. G. Malaher, the following situation seems to exist. "At a time when world use of wheat is

showing a steady increase and when shipments from the North American continent are particularly buoyant, it is not difficult to become enthusiastic about future wheat sales.

> "At a time when world use of wheat is showing steady increase and when shipments from the North American Continent are particularly buoyant, it is not difficult to become enthusiastic about future wheat sales.
>
> Some, in fact, think North American wheat surpluses may be a thing of the past.
>
> Such an assumption might be dangerous...but certainly all the known facts point in the same direction: the ultimate need to grow and to move abroad more wheat than is being produced at the present time."[6]

Further comment on Canada's wheat export prospects is given in Appendix "B".

INTERNATIONAL WHEAT AGREEMENT

International commodity agreements represent an attempt through concerted international action to mitigate the adverse effects upon trade in primary commodities from such difficulties as a persistent imbalance between production and consumption, burdensome stock accumulation and pronounced fluctuations in price.

The International Wheat Agreement (I.W.A.) represents such an attempt in wheat. The disruption of prices during the 1930's prevented the success of the first agreement in 1933. However in 1942, in the face of expected post-war needs, a number of countries, including Canada, signed a protocol which provided for a post-war international wheat conference and established an International Wheat Council to review the wheat situation. After the war, a series of wheat conference was held culminating with the I.W.A. of 1949. The member exporting countries undertook to sell to member importing countries a guaranteed quantity of wheat each year at prices not higher than a specified maximum. Each participating importing country undertook to buy from participating exporting countries on demand a guaranteed quantity at prices not lower than a specified minimum. This agreement was renewed in 1953 and 1956.

Under the 1959 and 1962 wheat agreements the concept of guaranteed quantities was abandoned. Importing countries thereafter agreed to import stated percentage of their total commercial imports of wheat from member countries, while the exporting countries collectively agreed to supply all the commercial requirements of the importing countries. Again, minimum and maximum prices were established. The 1962 agreement was to have lapsed on July 31, 1965 but it was extended, by protocol, without amendment to July 31, 1966 and again until July 31, 1967.

The minimum and maximum prices established under successive agreement are as shown in the following table. All prices are in Canadian currency per

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[6] Wheat-production brake not welcome in Canada. *Financial Post*, January 8, 1966 (see Appendix "B").

bushel at the parity for the Canadian dollar as at March 1, 1949 (Can. $1.00 = US $1.00) for No. 1 Manitoba Northern wheat in bulk in store Fort William/Port Arthur.

	Minimum	Maximum
1949	$1.50	$1.80
1950	$1.40	$1.80
1951	$1.30	$1.80
1952	$1.20	$1.80
1953	$1.55	$2.05
1956	$1.50	$2.00
1959	$1.50	$1.90
1962	$1.62½	$1.02½

Because of the devaluation of the Canadian dollar since 1949, the prices of the 1962 agreement in terms of 1966 dollars is approximately $1.78 (minimum) and $2.18 (maximum).

The agreement has been postponed without change in the past two years in view of the current Kennedy Round of tariff negotiations held under the General Agreement on Tariffs and Trade (GATT). It is hoped that the I.W.A. would be used as a model for broader agreements which would include other cereals. The Kennedy Round of tariff negotiations expires on June 30, 1967. The Canadian government is reported to be pressing for a new agreement which would raise the maximum prices from $2.18 to $2.50[1].

Mr. McNamara, Chief Commissioner of the C.W.B., told the Committee on Agriculture, Forestry and Rural Development on June 7, 1966 that he was not too hopeful of success for the current Kennedy Round negotiations. He expressed the fear that Canada "might run into a void period where we will have no international wheat agreement at all if we allow the I.W.A. to expire on July 31, 1967"[2]

GENERAL COMMENTS ON THE CANADIAN WHEAT BOARD

There have been very few criticisms leveled against the C.W.B. In general, the Canadian grain producer has been satisfied with the marketing facilities of the C.W.B. However, a few points have been raised which should be further pursued by the Committee.

1.—Prof. D. R. Campbell has reported that "Some foreign observers have commented that the C.W.B. has been so pre-occupied with its job of selling wheat, in which it has been highly successful, that it has tended to neglect barley. What they term "The Wheat Board Mystique" does not extend to barley[3]".

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[1] OTTAWA JOURNAL. December 15, 1966.

[2] CANADA. House of Commons. First Session. Twenty-seventh Parliament. *Standing Committee on Agriculture, Forestry and Rural Development.* Minutes of Proceedings and Evidence. No. 13. June 7, 1966, page 397.

[3] D. R. Campbell, *Conference on International Trade and Canadian Agricultures.* Banff, Alberta. Queen's Printer, Ottawa, 1966, p. 429.

2.—The Canadian Federation of Agriculture has for many years passed resolutions demanding that flax, rye and rapeseed be included under the jurisdiction of the C.W.B. It has been argued that marketing would be difficult because of the nature of these products, especially flaxseed and rapeseed. However, the C.W.B. has stated that it would accept the marketing of these products if Parliament would give them the responsibility.[1] The C.W.B. should take the initiative in demanding that the marketing of rye, flaxseed and rapeseed be made compulsory through the C.W.B.

3.—The proceeds from the adjustment of overages and shortages are paid to the elevator companies. We would expect, if these were honest errors that overages and shortages would cancel each other out over a period of years. However this is not the case. There has consistently been overages in favour of the elevator companies. These are sold to the C.W.B. and the proceeds go to the elevator companies when, in fact, the wheat belongs to the producer. Furthermore, the producer pays the storage charges on this wheat. Over the last five years the amount of overages has been significant:

OVERAGES AT COUNTRY AND TERMINAL ELEVATORS

Crop Year	Bushels	Amount
1960-61	2,315,000	$3,079,000
1961-62	2,418,000	3,494,000
1962-63	1,267,000	1,802,000
1963-64	1,062,000	1,420,000
1964-65	1,802,000	2,582,000
Total	8,864,000	$12,377,000

Something has to be done in order to remedy a situation whereby the prairie farmers have lost more than $12 million over the last five years. It is true, that a part of these proceeds are returned to the farmers when the elevator company is farmer-owned. However, a significant amount must be returned to private grain companies.

4.—If the C.W.B. is given responsibility for flax, rye and rapeseed, then there would be no ned for using the Winnipeg Grain Exchange's quotation for setting the prices on these products. The use of the futures market especially in flax and rapeseed is for the protection of the oil extracting companies, not for the benefit of the producers. Every time an oil extracting company makes a profit on its hedging operations in the futures market it is at the expense of the farmer. The marketing of these seeds through the C.W.B. would permit orderly marketing. Speculation in a grain exchange is very seldom to the benefit of the farmer.

[1] House of Commons. *Committee on Agriculture, Forestry and Rural Development.* June 7, 1966. p. 390-391.

5.—Mr. McNamara stated during his last appearance before the Committee that the longshoremen's strike in Montreal last summer would have long lasting effect on Canada's exports and that it would "require a number of years of excellent performance before the confidence of the buyer in Canada's ability to deliver grain is restored".[1] Is he still of the same opinion? How much did the C.W.B. have to pay in demurrage charges because of strikes last year?

6.—Will the proposed Canadian Livestock Feed Board conflict with the operations of the C.W.B.? What will be its effect on prices paid to western coarse grain producers?

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[1] House of Commons. *Committee on Agriculture, Forestry and Rural Development.* June 7, 1966, p. 389.

SUB-APPENDIX A

EXPORT CLEARANCES OF CANADIAN WHEAT BY COUNTRIES OF FINAL DESTINATION

TABLE 104. Export Clearances[1] of Canadian Wheat[2] by Countries of Final Destination, Crop Years 1960-61 to 1964-65

Destination	1960-61	1961-62	1962-63	1963-64	1964-65
	bushels				
Western Europe:					
EEC:					
Belgium and Luxembourg	12,167,952	11,458,169	9,980,670	15,495,773	15,528,016
France	9,902,903	1,035,969	6,877,184	4,883,596	5,552,755
Germany, Federal Republic	32,979,004	43,941,308	27,990,651	37,276,859	20,508,768
Italy	14,932,951	3,878,033	4,915,154	3,874,510	3,914,715
Netherlands	6,625,169	3,597,140	4,749,124	3,193,778	3,409,851
Sub-totals	76,607,979	63,910,619	54,512,783	64,724,556	48,914,105
Other Western Europe:					
Austria	1,529,411	1,626,021	1,554,304	1,191,031	1,660,293
Britain	78,616,245	73,704,444	77,495,478	78,955,252	70,390,834
Denmark	—	11,200	22,624	20,543	—
Finland	439,284	2,456,002	1,681,491	726,133	343,467
Greece	22,400	—	10	—	—
Ireland	3,413,425	2,318,131	3,470,394	2,235,333	2,223,831
Malta and Gozo	1,198,699	1,237,867	1,094,987	1,545,560	979,885
Norway	3,301,427	1,728,869	1,827,543	1,702,670	1,601,120
Portugal	93,333	—	—	410,667	—
Sweden	18,667	30,053	168,933	22,400	67,200
Switzerland	7,315,964	8,033,214	2,960,572	8,071,937	3,919,093
Sub-totals	95,948,855	91,145,801	90,276,336	94,881,526	81,185,723
Totals	172,556,834	155,056,420	144,789,119	159,606,082	130,099,828
Eastern Europe:					
Albania	2,354,800	2,101,643	—	3,696,468	5,025,011
Bulgaria	—	—	—	9,551,989	5,752,853
Czechoslovakia	12,138,608	—	4,393,895	28,661,587	26,244,851
Germany, East	1,918,075	8,040,229	—	14,473,349	10,522,197
Hungary	—	—	—	—	3,614,420
Poland	5,693,870	12,293,711	14,183,656	16,766,576	18,899,240
Rumania	—	—	—	9,670,565	—
U.S.S.R. (Russia)	7,511,317	—	—	162,173,763	8,843,780
Yugoslavia	—	—	3,919,975	3,501,866	—
Totals	29,616,670	22,435,583	22,497,526	248,496,163	78,902,361
Africa:					
Algeria	373,333	1,359,639	—	—	—
Congo (Leopoldville)	—	18,257	—	—	—
Katanga	—	—	9,186	—	—
Mozambique	436,724	680,884	562,438	102,057	35,230
Nigeria	—	271,600	666,593	650,889	603,113
Nyasaland	108,517	74,667	8,244	—	—
Republic of South Africa	—	504,000	7,883,218	3,038,286	944,533
Rhodesia	—	—	—	37,334	48,210
Tunisia	1,439	189,905	—	—	—
U.A.R. – Egypt	—	451,733	—	—	—
Totals	920,013	3,550,685	9,129,679	3,828,566	1,631,086
Asia:					
Burma	356,229	221,978	—	78,931	171,464
China, Communist	34,699,851	71,977,630	56,443,819	41,286,001	62,270,202
Hong Kong	523,787	616,559	579,227	667,706	905,147
India	3,955,436	3,541,390	703,612	721,373	7,266,240
Israel	1,592,267	829,100	1,789,369	1,603,056	529,200
Japan	53,996,664	48,042,969	44,108,769	49,726,319	50,125,210
Kuwait	—	—	—	—	350,000
Malaysia and Singapore	—	—	124,133	453,413	929,041
Pakistan	2,098,690	1,856,325	361,664	354,984	3,199,497
Philippines	987,363	3,854,530	6,741,156	7,300,821	6,431,934
Saudi Arabia	—	555,637	647,966	782,686	599,299
South Korea	—	—	—	511,467	—
Taiwan	139,626	171,610	115,701	411,061	735,441
Totals	98,349,913	131,667,728	111,615,416	103,897,818	133,653,665
Oceania:					
United States Oceania	313,152	473,759	480,554	461,514	75,898
Totals	313,152	473,759	480,554	461,514	75,898
Western Hemisphere:					
Barbados	167	—	40	100	5,119
Colombia	—	264,550	—	—	367,484
Cuba	5,056	—	—	7,454,393	8,120,779
Dominican Republic	922,831	1,490,978	1,155,778	851,741	704,386

See footnotes at end of table.

1 Source:

Canada. Bureau of Statistics. Grain Trade of Canada 1964-65. Ottawa, Queen's Printer, 1966. p.90, 91.

TABLE 104. Export Clearances[1] of Canadian Wheat[2] by Countries of Final Destination, Crop Years 1960-61 to 1964-65 – Concluded

Destination	1960-61	1961-62	1962-63	1963-64	1964-65
	bushels				
Western Hemisphere – Concluded:					
Ecuador	1,190,686	1,157,340	1,199,696	1,087,114	1,370,128
El Salvador	18,372	384,693	579,677	1,018,382	776,516
Guatemala	60,166	46,568	255,000	275,000	408,366
Honduras Republic	4,996	–	–	–	53,200
Jamaica	–	399	11,348	10,222	6,648
Nicaragua	–	–	–	–	504,746
Panama	–	–	–	78,400	–
Peru	1,816,267	–	535,174	730,614	937,813
Venezuela	2,658,101	4,736,226	6,677,046	7,903,550	9,121,671
United States:					
For domestic use[3]	2,518,758	1,487,496	1,169,390	1,025,859	–
Totals	9,195,400	9,567,950	11,583,149	20,435,375	22,376,824
Sub-totals, all countries	310,951,982	322,752,125	300,093,443	536,725,518	366,739,662
Bagged seed[4]	6,615,634	3,316,543	4,006,521	2,911,963	1,312,295
Totals, all countries	317,567,616	326,068,668	304,101,964	539,637,481	368,051,957

[1] Overseas clearances as reported by the Statistics Branch, Board of Grain Commissioners for Canada, for all countries except the United States.
[2] Including durum.
[3] Compiled from returns of Canadian elevator licensees and shippers and advice from American grain correspondents. Excluding bagged seed.
[4] Canadian Customs returns, adjusted to remove effect of time lag.

TABLE 105. Export Clearances[1] of Canadian Durum Wheat[2] by Countries of Final Destination, Crop Years 1960-61 to 1964-65

Destination	1960-61	1961-62	1962-63	1963-64	1964-65
	bushels				
Western Europe:					
EEC:					
Belgium and Luxembourg	1,867,546	557,947	368,942	572,979	1,247,732
France	8,020,711	604,769	6,470,860	2,697,827	3,125,361
Germany, Federal Republic	11,630,314	3,590,153	10,043,991	7,988,123	7,683,418
Italy	13,457,746	25,200	–	115,733	21,230
Netherlands	353,026	110,454	–	154,168	346,155
Sub-totals	35,329,343	4,888,523	16,883,793	11,528,830	12,423,944
Other Western Europe:					
Austria	465,886	149,333	682,385	335,418	576,000
Britain	720,599	361,623	254,463	224,594	252,000
Greece	22,400	–	10	–	–
Ireland	5,600	–	7,467	–	13,087
Malta and Gozo	–	–	–	–	18,177
Portugal	93,333	–	–	410,667	–
Sweden	18,667	–	18,667	–	33,600
Switzerland	3,419,668	1,477,691	1,839,225	2,590,340	2,560,677
Sub-totals	4,746,153	1,988,647	2,802,217	3,561,019	3,453,521
Totals	40,075,496	6,877,170	19,686,010	15,089,849	15,879,465
Eastern Europe:					
Albania	–	–	–	–	521,714
Czechoslovakia	704,807	–	–	–	–
Germany, East	–	–	–	–	385,827
Poland	–	–	–	–	5,314,031
U.S.S.R. (Russia)	–	–	–	9,634,007	–
Totals	704,807	–	–	9,634,007	6,221,632
Africa:					
Algeria	373,333	37,035	–	–	–
Mozambique	35,467	26,134	–	11,200	–
Tunisia	1,439	189,905	–	–	–
Totals	410,239	253,074	–	11,200	–
Asia:					
China, Communist	–	–	–	–	11,971,379
Japan	–	–	–	–	46,297
Total	–	–	–	–	12,017,676
Western Hemisphere:					
Guatemala	–	–	–	–	16,667
Venezuela	7	–	–	–	–
Totals	7	–	–	–	16,667
Totals, all countries	41,190,549	7,130,244	19,686,010	24,735,056	34,135,440

[1] Overseas clearances as reported by the Statistics Branch, Board of Grain Commissioners of Canada, for all countries except the United States.
[2] Included with wheat in the preceding table.

APPENDIX II

BOARD OF GRAIN COMMISSIONERS FOR CANADA

Organization and Functions

General:

Under the Canada Grain Act of 1912 the Board of Grain Commissioners was created to administer the Act and to have general supervision over grain handling in Canada. The Board is composed of three Commissioners, appointed by Governor-in-Council, one of whom is appointed as Chief Commissioner. The Commissioners are salaried officials who devote the whole of their time to the performance of their duties under the Canada Grain Act. There are also four Assistant Commissioners who are appointed to assist the Board, in accordance with the provisions of the Act. The Board is an independent body reporting to the Government through the Minister of Agriculture. The headquarters of the Board is at Winnipeg, Manitoba. The Assistant Commissioners are located at Edmonton, Saskatoon, Regina and Winnipeg.

Under the Inland Water Freight Rates Act, the Board is required to receive and tabulate all lake freight rates on grain and when considered necessary, to establish maximum rates.

Under the Prairie Farm Assistance Act, the Board is charged with the responsibility for collecting the one per cent levy.

Organization:

The organization of the Board is composed of six principal divisions. These are the Executive, Inspection, Weighing, Statistics, Research Laboratory and Canadian Government Elevators system.

In addition to the above divisions, the Board is required under the Canada Grain Act to constitute Committees on Grain Standards and Grain Appeal Tribunals.

A description of the functions and activities of the different divisions is outlined below.

Executive Offices

Functions:

To administer, direct and co-ordinate the work of all divisions of the organization; to report to the Minister of Agriculture through the Department of Agriculture, and to ensure the carrying out of the provisions of the Canada Grain Act. The Executive Offices comprise the Board, Assistant Commissioners, the Secretary and Personnel Division.

Inspection Division

The Head Office of the Inspection Division is at Winnipeg, with district offices located at Montreal, Toronto and Chatham in the Eastern Division, and at

Fort William, Winnipeg, Saskatoon, Moose Jaw, Calgary, Edmonton, Medicine Hat and Vancouver in the Western Division. In addition, inspection staffs are stationed at the elevator located at Baie Comeau in the Eastern Division and at terminal elevators located at Lethbridge, Prince Rupert and Victoria and seasonally at Churchill, Manitoba, in the Western Division.

Functions:

In the Western Division, to procure and grade samples from carlots of grain en route from country points to any destination, at the primary inspection points of Winnipeg, Calgary and Edmonton, when such samples are placed in the cars by operators of country elevators; to draw official samples and establish grades of all grain received into terminal elevators and most of the grain received into mill elevators at the Lakehead, Pacific Coast, Churchill and interior points; to sample and grade grain discharged from terminal and mill elevators.

In the Eastern Division, to provide sampling and inspection service on request at Chatham and Toronto for Eastern grown grain; to sample and check all grain and to establish the final grade of all Canadian grain, loaded into vessels for export at Montreal, Quebec, Sorel, Three Rivers, Baie Comeau, St. John and Halifax.

To grade all grain in store in terminal and Eastern elevators at the annual weighover of stocks.

To prepare tentative standard samples for the Committees on Grain Standards.

Weighing Division

Functions:

In the Western Division to weigh all grain received at or shipped from licensed terminal elevators and as required by licensees to provide the same service at licensed mill elevators; to inspect all scales and equipment for transferring grain from and to the scales in all licensed Eastern, terminal and mill elevators; to examine railway cars at time of sampling or unload for evidence of leakage; to weigh over grain contained in every terminal and Eastern elevator at least once every twenty-two months; and to investigate complaints re shortages on outturn weights.

Statistics Division

Functions:

(A) *Statistics*: To publish basic statistics relating to the handling and storage of grain within the Canadian elevator system, from reports received from all licensed elevators, to supply the Board and other divisions with a detailed analysis of elevator handlings.

(B) *Audits*: To prepare audit statements covering the operations of terminal, Eastern and country elevators; to verify the insurance carried on grain stocks, and to maintain records of lake freight rates on grain; to supervise the collection of the 1 per cent levy under the Prairie Farm Assistance Act.

(C) *Licence and Bonding*: To receive applications and issue licences for the operation of the various classes of elevators defined in the Canada Grain Act as well as for track buyers, commission merchants and grain dealers, and to maintain detailed records thereof; to supervise the maintenance of adequate guarantee bonds as security covering the operations of the licensees and their agents.

(D) *Registration*: To register terminal and Eastern warehouse receipts and transfer receipts for all grain received at terminal and Eastern elevators; to maintain records of stocks of grain in store at these elevators, and to cancel warehouse receipts on all shipments from these elevators.

Research Laboratory

Functions:

To assist the Inspection Division with problems relating to the effects of degrading factors, treatment, etc., on the milling and baking quality, malting quality, etc., of the various grains and oil seeds; to obtain and distribute each fall, information on the quality of current crops and of standard and standard export samples; to provide records of the quality of all grades of Canadian grains, shipped and in store, throughout the crop year; to collaborate with plant breeders in the production and testing of new varieties; to undertake research on grain quality, on methods of measuring it, and on other problems related to the Board's work, and to maintain liaison with other institutions and organizations working with grain.

Canadian Government Elevators

Functions:

To manage, maintain and operate as semi-public terminal elevators the five interior terminal elevators constructed by the Government at Moose Jaw, Saskatoon, Lethbridge, Edmonton and Calgary, and to manage, maintain and operate as a semi-public terminal elevator, the terminal elevator at Prince Rupert, B.C.

Grain Appeal Tribunals

In accordance with Section 47 of the Act, the Board has constituted Grain Appeal Tribunals in the Western Division at Winnipeg, and in the Eastern Division at Montreal and Toronto, to review the decision of the inspecting officer on the application of any person in possession of or interested in any grain who is dissatisfied with the grading of such grain by an inspecting officer.

The Chairman of the Appeal Tribunal in the Western Division is a permanent salaried official, but all other members of such Tribunals serve when called upon and are paid on a fees basis.

Committees on Grain Standards

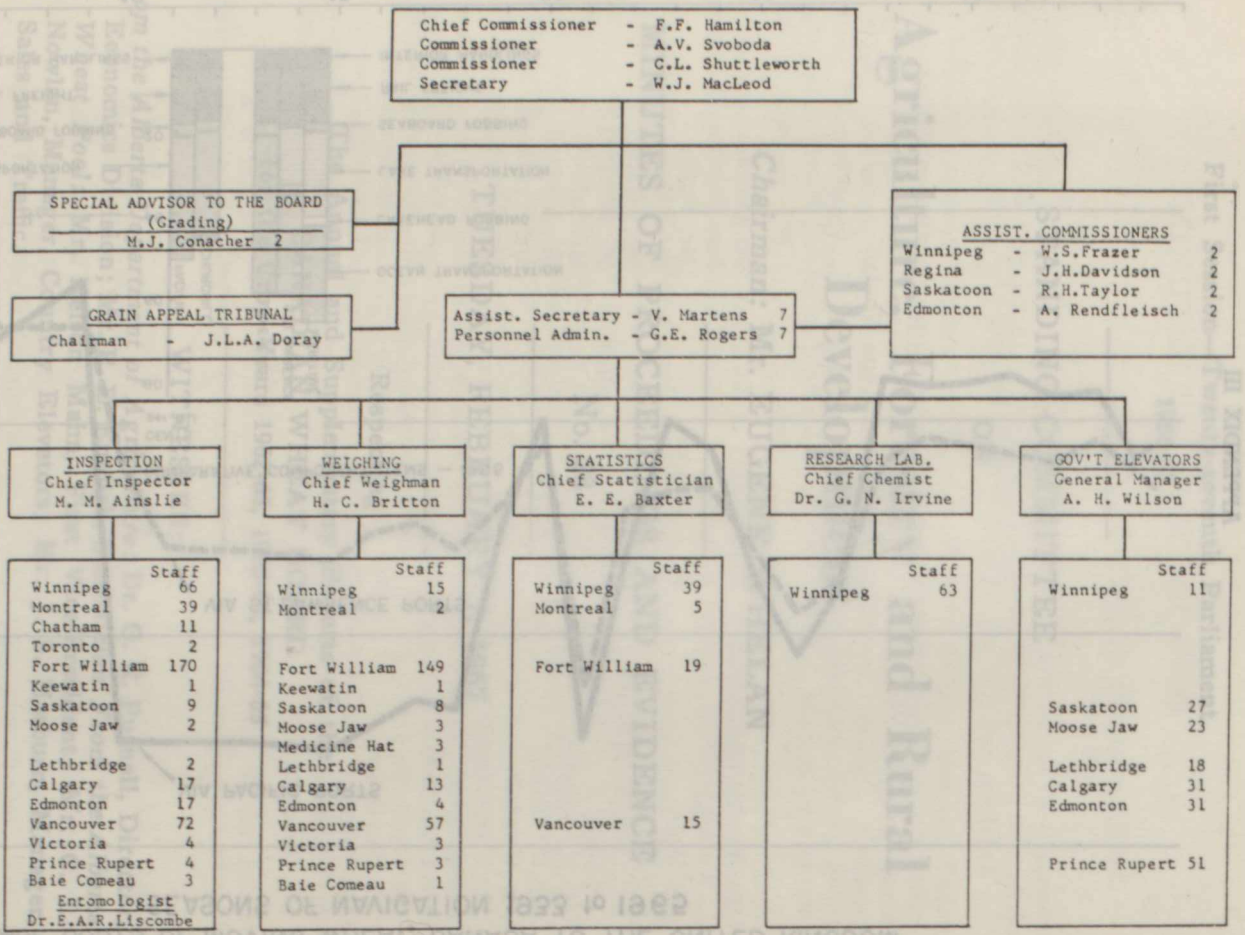
In accordance with the provisions of Section 25 of the Canada Grain Act, a Committee on Western Grain Standards and a Committee on Eastern Grain Standards are constituted by the Board each year before the first day of July.

The Western Committee meets in Winnipeg and the Eastern Committee in Toronto or Montreal.

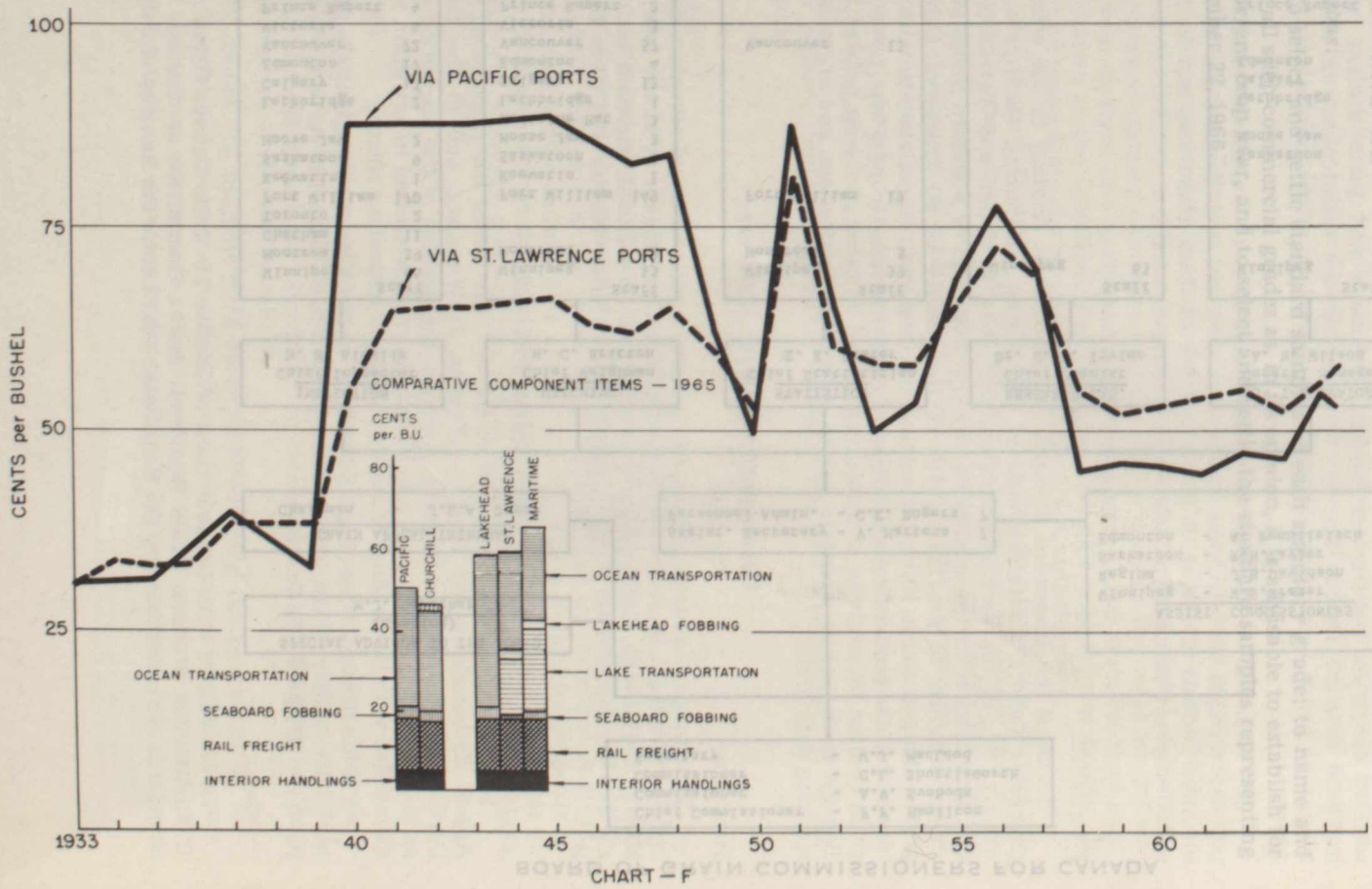
Functions:

To select and settle standard samples of each statutory grade; to name and define all such commercial grades as, in its opinion, it is advisable to establish for the current crop year, and to select and settle the standard samples representing November 22, 1966.

BOARD OF GRAIN COMMISSIONERS FOR CANADA



AVERAGE COSTS OF MOVING WHEAT, CANADA TO THE UNITED KINGDOM
SEASONS OF NAVIGATION 1933 to 1965



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HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-67

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 28

TUESDAY, FEBRUARY 7, 1967

Respecting

The Annual and Supplementary Reports of the
CANADIAN WHEAT BOARD
for the Crop Years 1962-63, 1963-64, 1964-65

WITNESSES:

From the Alberta Department of Agriculture: Dr. G. R. Purnell, Director, Economics Division; Mr. R. E. English, Statistician. *From the Alberta Wheat Pool:* Mr. Nelson Malm, First Vice-President; Mr. C. L. Nowlan, Manager, Country Elevators; Mr. J. S. Harburn, Manager, Sales and Traffic.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

24805—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Cadieu (*Meadow Lake*),
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Côté (*Nicolet-Yamaska*),
Mr. Crossman,
Mr. Danforth,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Gundlock,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*),
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. Madill,
Mr. McKinley,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, February 7, 1967.
(38)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 2.35 o'clock p.m. in the Britannia Room of the Calgary Inn, in the city of Calgary, province of Alberta. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Berger, Cadieu (*Meadow Lake*), Clermont, Comtois, Côté (*Nicolet-Yamaska*), Crossman, Danforth, Forbes, Gauthier, Gendron, Godin, Grills, Gundlock, Hopkins, Horner (*Acadia*), Johnston, Jorgenson, Laverdière, Lefebvre, Madill, McKinley, Moore, (*Wetaskiwin*), Muir (*Lisgar*), Neveu, Noble, Nowlan, Olson, Peters, Pugh, Rapp, Ricard, Schreyer, Stafford, Stefanson, Tucker, Watson (*Assiniboia*), Whelan, Yanakis—(39).

In attendance: From the Alberta Department of Agriculture: Dr. Glen R. Purnell, Director, Economics Division, and Mr. R. E. English, Statistician;

From the Alberta Wheat Pool: Messrs. Nelson Malm, First Vice-President; Allan J. Macpherson, Second Vice-President; O. Keith Resenberger, Director; Omar J. Broughton, Secretary; A. T. Baker, General Manager; C. L. Nowlan, Manager, Country Operations; J. S. Harburn, Manager, Sales and Traffic; Allan M. Gibson, Manager, Public Relations; L. D. Nesbitt, Retired Superintendent of Publicity; Bruno Friesen, Economist.

The Chairman made an opening statement during which he pointed out that Committees are portions of the House of Commons and that this meeting was a regular Committee meeting at which the same rules and procedures as are followed in Ottawa would be in force.

The Committee resumed consideration of the Annual and Supplementary Reports of the Canadian Wheat Board for the crop years 1962-63, 1963-64 and 1964-65.

The Chairman then called the first witness, Dr. Purnell of the Alberta Department of Agriculture and asked him to introduce his colleague and make his presentation.

At the end of Dr. Purnell's submission, it was moved by Mr. Asselin (*Richmond-Wolfe*) and seconded by Mr. Madill, and

Agreed,—That the following tables, charts and outlines submitted by Dr. Purnell be printed as appendices to the Minutes of Proceedings and Evidence:

Final Wheat Board Payments on Wheat, Oats and Barley, 1961-62 through 1965-66; (*See Appendix I*)

24805—1½

Figures:

1. Trend in Total Cattle numbers, Province of Alberta, June 1, 1930-1966;
2. Trends in Total Hog and Sheep numbers, Province of Alberta, June 1, 1930-1966;
3. Total Cattle Marketings in Alberta, 1961-1966 (Monthly);
4. Fertilizer Sales in the Provinces of Alberta, Saskatchewan and Manitoba 1938-65. (*See Appendix II*)

Alberta Department of Agriculture Emergency Farm Assistance Program. (*See Appendix III*)

Alberta Department of Agriculture Summary of Crop Assistance 1966. (*See Appendix IV*)

The members questioned the witness.

Later, at the suggestion of Mr. Clermont, members of the Committee rose and introduced themselves giving also their ridings and home province.

Questioning of Dr. Purnell continued. Later the Chairman thanked Dr. Purnell and Mr. English and they were excused.

Officials of the Alberta Wheat Pool were then called and the Chairman, after introducing Mr. Malm, called on him to introduce the officials with him, and make his presentation. Mr. Malm having concluded his presentation, the Committee proceeded to question him and his officials.

On completion of the questioning of the Alberta Wheat Pool officials, the Chairman and the members of the Committee thanked them for their attendance. They were then excused.

At 5.20 o'clock p.m., there being no further witnesses, the Chairman adjourned the meeting to the call of the Chair.

Michael B. Kirby,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, February 7, 1967

The CHAIRMAN: This is a regular meeting of the Standing Committee on Agriculture, Forestry and Rural Development. The ordinary rules of procedure which are followed at committee meetings in Ottawa will be followed here. By order of the House of Commons made on Thursday, June 2, 1966, the annual and supplementary reports of the Canadian Wheat Board for the crop year 1962-63, 1963-64, and 1964-65 were referred to this committee for consideration and study.

I would like to say at this time, and I am sure I speak for all committee members present, that we are happy to be in Alberta. I know the Committee will benefit greatly by its presence here.

The first witness before us is Dr. Glen R. Purnell, Director of Economics Division, Dr. Purnell will present a brief on behalf of the Alberta Department of Agriculture.

Dr. GLEN R. PURNELL (*Director, Economics Division, Alberta Department of Agriculture*): Thank you very much, Mr. Chairman and gentlemen. May I bring you greetings from the hon. H. E. Strom, Minister of Agriculture for the government of Alberta and his deputy, Dr. E. E. Ballantyne.

The Department appreciates the opportunity to appear before this committee which is so important to the well-being of Canadian agriculture. It is felt that several points dealing with various facets of the grain trade and related areas could well be outlined at this time for your consideration.

The Canadian Wheat Board is the most significant single element in the marketing of Canadian grain. Fundamentally the Board has played and is playing an effective role in carrying out its functions of maintaining an orderly marketing process and obtaining maximum returns for producers over time. Naturally, grain producers are interested in marketing a maximum volume as quickly as possible at the highest price available in any particular crop year. Rising production costs necessitate substantial and increasing expenditures by producers in their annual operation. In addition there is a heavy burden of overhead costs in land investments, interest charges, taxation, and depreciation of machinery and equipment.

1. It is suggested then that due consideration be given to price levels and to the amount of initial payments for grain delivered by producers to the Board. In this recommendation, recognition is given to the global population growth and the extreme difficulty which many countries may have in paying higher prices for food grains. However, unless a price level is maintained to adequately reward resources involved in production, there could occur a flight

of these resources into some uses other than grain production which may impede Canada's ability to significantly contribute to helping feed the world. Naturally any increase in price level must consider international supply and demand. There is little value in pricing yourself out of the market.

2. On the subject of initial payments, it is noted that final payments for wheat has averaged $.44, oats $.17, and barley $.27 per bushel over the past 5 years. The high was $.49, the low $.38 per bushel for wheat. The high for oats was $.25 and the low $.10 per bushel. For barley the high was $.33 and the low $.18 per bushel. A complete time series can be found in the attachments at the back of the brief. It would appear that this is above the levels needed to assure that the Board will not operate in a definite position if higher initial payments were made. One acknowledges that this is in part at least a matter only that the producers are helping to finance the operation of their own Board. Nevertheless, it would seem that the Board is in a position to obtain capital at an interest rate lower than that available to farmers. Furthermore, the former limited in capital can often put funds to work in his farm operation and obtain a return in excess of the interest charges which the Board would have to face. Therefore, it is recommended that consideration be given to making larger initial payments and smaller final payments on grain delivered to the Board.

3. Farm people are greatly improving their ability to plan their operations to effectively use their resources in profitable production. This improvement stems from increasing recognition by farmers of the need to adjust and the economic factors which make adjustment desirable. They are using available information in the form of agricultural situation and outlook reports. This information is becoming more accurate and reliable over time. Nevertheless, planning could be substantially improved in the future. A significant contribution to this improvement would be the availability of information at the earliest possible date on anticipated or consummated sales agreements for grain in international trade. Certainly one cannot ignore the cold hard business facts that premature leakage of information about prospective sales could endanger the final signing of contracts. This is not the intention of this recommendation. Also one must recognize that considerable uncertainty prevails about the annual volume of sales which can be consummated in international trade in a particular year. Many factors influence this situation. Nevertheless, given recognition of these points it is recommended that the best possible projections on international grain sales for a coming period be made public and that producers be informed as early as possible of sales negotiated. This would facilitate planning on the individual farm and in most instances reflect back stability in supply for future sales.

4. The Canadian Wheat Board, by authority of the Coarse Grain Marketing Control Act (Alberta), regulates the sale of coarse grains and the use of commercial storage and handling facilities for non-Board feed grain and by controlling the interprovincial movement of non-Board feed grains. The purpose is to achieve an orderly flow of grain in the market and to prevent interprovincial non-Board shipments from disrupting the orderly marketing of feed grain outside the Province. Although this procedure may in the short run be in the

interests of the grain producer in these deficit areas, it is doubtful that it is to his long range advantage since livestock production and prices are very sensitive to instability in the year to year feed grain prices. The sensitivity in the livestock sector may be great enough to cause sufficient uncertainty to develop in the minds of livestock producers thus resulting in the elimination of or at least the minimization of livestock production in these locales. Hence this decrease in demand will be reflected in reduced feed grain prices in the future. This entire question is discussed by Mr. Kerr of the Canadian Agricultural Economics Research Council in his Publication No. 7 entitled "An Economic Analysis of the Feed Freight Assistance Policy". Kerr admits some benefits to the feed grain producers of restrictions on interprovincial flow of non-Board grains. However, he suggests that in a Province such as Alberta, where more than 50 per cent of the cash farm income is derived from livestock, there is a question as to the over-all benefit of such a policy to the agricultural economy in this Province.

A note of general concern on the grain-livestock balance in Canada should be expressed. Agriculturists dealing with a balanced farm economy approach express concern with the prospects of de-populating livestock herds. This reduction can result from temporary improvement in the grain market. The effect is to cause a lag in rebuilding livestock herds due to the biological process. Stability must be a consideration.

When dealing with the grain trade one must recognize the feed-livestock sector of the economy.

Greater stability in the grain market could very easily be reflected in similar stability in the livestock sector which is now receiving increasing attention in Alberta. I have presented in this brief some charts indicating a birdseye view of Alberta Livestock trends. These are in the attachments at the back of the brief. In the period 1961-65, livestock accounted for 53 per cent of cash farm income in this province. With realized developments of this kind and further expansion projected in the future, the Alberta Department of Agriculture has revealed comprehensive plans which can enable the Alberta government to service this growing industry. Copies of the Department program are attached and distributed for your perusal. Considering these developments in the livestock industry, it is easy to understand the concern expressed above for a proper relationship between the feed grain and livestock sectors. Thorough consideration must be given to interprovincial and inter-regional relationships in the feed-livestock economy.

5. Thus there is concern about the role in the total grain and livestock sector of the Canadian Livestock Feed Board. With so much at stake, one could certainly feel on safe ground to recommend appointment of western Canadian grain producers to this Board. The Feed Board, which assumes responsibility for the freight assistance program, has also been given the power to negotiate for foreign feed grains. Will such negotiation eventually lead to the substitutions of foreign feeds for Western Canadian grain? Appointment of a western grain producer to the Canadian Livestock Feed Board would assist in maintaining a balanced perspective in these negotiations.

6. If a sound feed-livestock economy is to be maintained and expanded in the West, it is essential that people in responsible positions recognize the need for thorough planning and action on the service facilities related to this sector. In 1966, for example, the Alberta livestock industry experienced a shortage of railway stock cars for transporting animals being marketed. Admittedly, the shortage was temporary but it was a true shortage on the supply side rather than abnormal requirements on the demand side. Livestock marketing patterns in 1966 followed normal seasonal patterns as we have illustrated in an attached chart, Figure 3. This figure also graphically outlines the long term upward trend in cattle marketing and underlines the need for improved planning of the services in this entire field.

Expanding Production

Grain marketing in the future will be influenced by expanding crop production. Technological advancement in agriculture is well known with the output per unit of input increasing substantially each year. In our footnote we have indicated that most of the benefits from such advantages or advances accrue to the consumer of Canadian agricultural products. Consumers obtain more and higher quality food at lower relative prices as new technology is developed and used in agriculture. Of course, this reflects back to the previous recommendation for consideration of higher grain prices in order to provide farmers with more significant direct benefits. Production, per worker in agriculture is rising about twice as fast as productivity per worker in non-agricultural sectors of the economy. Output per acre is also rising. This, of course, results from the use of more intensive practices such as fertilizer applications on a given land base. Figure 4 in the attachments provides data which show that fertilizer sales in the prairie provinces have risen dramatically since 1955. The most notable increase is in Alberta which represented over 50 per cent of total sales in 1965. Fertilizer sales in Alberta increased 12 times, in Saskatchewan 7 times and in Manitoba only 3½ times during the 1955-65 period. Without doubt corresponding increases in the soil samples submitted for analysis to the Alberta Soils Laboratory from 2,253 in 1961 to 14,400 during the first three quarters of 1966 is closely related. We might add, Mr. Chairman, that there would also be a direct relationship of fertilizer use and the Alberta Department of Agriculture's aggressive extension education in promoting improved cropping techniques.

Additional grain production can also be achieved through annual cropping of a considerable portion of Alberta land which is now being summerfallowed. In 1965 there were 6½ million acres of summerfallow in this province. With new chemical weed control and improved tillage practices, it is feasible to bring much of this into crop production on an annual basis. Again due consideration must be given to the marketing of grain from this land.

7. A third important source of increased grain production is the development of new land for this purpose. As it becomes economically feasible this new land will be opened. Alberta has 10-12 million acres of potential farmland which is over 50 per cent of the arable land in Canada that can still be developed for agricultural purposes. Experience shows that this development is not always an

easy process. Limited capital, distant markets, and delayed productivity of the newly-turned land can all create critical hardships on settlers. Nevertheless, these new areas generally prove to be profitable over time and justify public expenditures on roads, schools, electricity and other amenities. Recently, serious setbacks have been experienced in these areas. Inclement weather has resulted in low crop yields. Such was the case recently in two areas of Alberta, the Peace River and West Central area, where widespread distress resulted from 3 years of grain yields averaging under 10 bushels per acre. After unsuccessfully seeking Federal government participation, the Province of Alberta assisted 5,217 farmers with payments of $2,405,157.84 including $20,746.34 in administrative costs. A detailed statement on the criteria and standards for participation in this program is attached for your perusal. Thus farmers in temporary distress are kept in business. On several occasions, the Government of Canada has participated in emergencies of this nature. It would seem logical that in the future standard criteria could be established by federal officials which would assure equitable treatment for all farmers in Canada regardless of location. In this way farmers and others concerned could more effectively plan on a team approach and be consistent over time in dealing with emergency situations.

In summary, agriculture continues to be an important sector of the economy of Alberta. A preliminary estimate of farm income shows that income from sale of field crops in 1966 amounted to $370,605,000 and from livestock to $406,762,000, for a total of $794,043,000. Thus agriculture is one of the four major industries here.

Continuing attention by members of the industry must be given to the many problems which it faces if solutions are to be found to them. Your consideration of the following points is sought in this brief.

(a) possibilities for increasing grain prices should be explored and implemented where realistic.

(b) increased initial payments for grain marketed through the Wheat Board is desirable.

(c) Improved market projection information should be provided.

(d) a federal-provincial review of Wheat Board control of feed grain sales is in order.

(e) membership on the Canadian Livestock Feed Board should include a western representative.

(f) improved planning in the service sectors such as the transportation system must be achieved to avoid economic inefficiencies. The 1966 railway stock car shortage is one example. It is to be noted that industry is examining its grain handling methods. Railways must also improve transportation facilities.

(g) emergency assistance in periods of poor crops is sound economic sense and should be a joint effort of Provincial and Federal governments.

Mr. Chairman, before concluding, we believe an additional comment should be made pertaining to the need for clarification or interpretation which may be

required with respect to Sec. 39 of the Canadian Wheat Board Act. This section names the elevator to be a work for the general advantage of Canada and declares flour mills, feed mills and seed cleaning mills in this same category.

We believe that cleaning and treating grain for seed in elevators and the use and operation of seed cleaning mills is primarily a function of the Government of Alberta and as such these functions should be recognized in the Canadian Wheat Board Act. We accordingly recommend that amendments be made to the legislation to recognize this principle. Thank you very much, Mr. Chairman and gentlemen.

The CHAIRMAN: Thank you, Dr. Purnell. I forgot to introduce Mr. English, who is also appearing before the committee today, with Dr. Purnell. He is an agricultural statistician with the Alberta Department of Agriculture.

Before we proceed any further, I would like a motion that the tables be printed as an appendix.

Mr. ASSELIN: I so move.

Mr. MADILL: I second the motion.

Motion agreed to.

The CHAIRMAN: I have a list of members who already have intimated to me that they want to question. They are Mr. Horner, Mr. Olson, Mr. Clermont and Mr. Rapp.

Mr. HORNER (*Acadia*): Mr. Purnell, you presented a very concise brief dealing with a number of subjects which touch very deeply on Alberta's agricultural question. I agree, first of all, with paragraphs one and two, with regard to the payments of wheat. I certainly agree with you suggestion in paragraph (2) that the initial payments should be raised, and I hope that action will be taken to see that this is done.

I am not sure what you are trying to say in paragraph (4) in respect of feed freight assistance. You refer to Dr. Kerr's brief on feed freight assistance paid by the federal government. Are you, in a sense, questioning whether or not there is any real value to the farmers of Alberta to continue to pay feed freight assistance to eastern Canada and British Columbia.

Mr. PURNELL: No, this is not the intent of the suggestion. This is a question of another nature which, as you know, has very many facets. The point that we are suggesting consideration be given to here is the degree of control experienced by the Canadian Wheat Board over the interprovincial flow of non-quota feed grains which, as you know, are restricted at the present time. In addition, there are restrictions placed on the use of commercial facilities, as far as non-quota feed grain is concerned. This is the point that we are making here Mr. Horner.

Mr. HORNER (*Acadia*): Are you suggesting there is some room for question as to whether or not the wheat board should still have jurisdiction over interprovincial trade in non-quota feed grain?

Mr. PURNELL: I suggest that this is a question which needs very careful scrutiny and that this may be an answer to such a question. However, the real

situation here is the possibility of destabilization of the livestock sector in a feed deficit area in which the deficit may fluctuate from year to year, and in view of the fluctuations in productions of grain the livestock sector is also destabilized. Our major point is that intensive study be made of this question.

Mr. HORNER (*Acadia*): I would agree with you that a major study could serve a real purpose. I have one further question with regard to feed grain and livestock. The Committee this morning toured a large feed lot in Alberta and toured a large feed mill. Is it your belief that in the years ahead more and more western cattle will be fed western feed grains right here in Alberta?

Mr. PURNELL: I definitely feel that this will be the case.

Mr. HORNER (*Acadia*): Does it not appear to you, as an economist, that it would be far more economical to ship beef to eastern Canada rather than live cattle and feed?

Mr. PURNELL: This has to be viewed from the point of view of the entire economy, from the point of view of the grain sector as well as the livestock sector, and it would appear that consideration would also have to be given to the transportation rates on the carcass beef as compared with the grain and the live animals. But certainly we have seen instances in other countries, and in various regions of Canada, where development of more intensive production has taken place as land, a fixed base, becomes more restricted, relative to total resources involved in agriculture.

Mr. HORNER (*Acadia*): I have a question with regard to paragraph seven. First of all, may I that say I agree with your submission that perhaps section 39 should be clarified, and I see no reason why seed cleaning mills should necessarily fall under the Canadian Wheat Board Act. But under this same general reference here, would you not agree, because over 400 miles of track is up for abandonment in the province of Alberta, that even after the track is taken up there is some feasibility in continuing to licence off-trackage elevators? In other words, when licenced, they proved to be capable of keeping grain clean and free from contamination. I know of instances where elevator companies and railway companies are moving grain by truck. Do you not think that the Canada Grain Act could be amended to allow the continuing licensing of elevators, whether or not they are still alongside an operative railway?

Mr. PURNELL: I cannot see any obvious reason for a negative answer to your question at this point.

Mr. HORNER (*Acadia*): Those are my only questions at this time, Mr. Chairman.

Mr. OLSON: Mr. Chairman, I would like to direct Dr. Purnell's attention to paragraph 1 on page 1, namely, the paragraph marked 1, where you say that due consideration should be given to price levels; and you also say in your number one recommendation in the summary on page seven, that the possibilities for increasing grain prices should be explored and implemented, where realistic. Now, Dr. Purnell, it is my understanding of the Canadian Wheat Board's activities, in so far as selling Canadian grain is concerned, that they are obtaining the highest price available now, taking into consideration the competition

from other selling countries. Therefore, I am a little curious as to what you mean by higher prices. Does this relate to the international wheat agreement; are you talking about a different price for domestic sales within Canada, or just what are you referring to, as some means of achieving this?

Mr. PURNELL: We are not suggesting any relationship to a two-price system, Mr. Olson. We are simply suggesting that in view of the fact that the international wheat agreement is currently under review and in view of the fact the wheat board is the most significant single element involved in the marketing of Canadian grains, that the proposal is to raise the minimum and maximum levels in these international sales, under the agreement, wherever it is realistic to do so, taking into consideration supply and demand on a global basis.

Mr. OLSON: You inserted the word "realistic". Do you think it is realistic now to substantially increase the maximum and minimum under the international wheat agreement?

Mr. PURNELL: I am not in a position to recommend a particular price. I think the point we make is that attention be given to it and that knowledgeable people who are very close to the situation consider all of the aspects that would relate to the possibility of increasing prices in order to reward farmers, who are producers, for the use of their resources at an adequate level.

Mr. RAPP: Why not make a recommendation on the price of wheat under the international wheat agreement?

Mr. R. E. ENGLISH (*Statistician, Economics Division, Alberta Department of Agriculture*): It seems to me that the general world price of wheat today has reached so near the maximum under the agreement that that maximum may soon serve or perhaps already serves as a floor on the price of wheat under the international treaty.

Mr. GUNDLOCK: I have a supplementary to Mr. Olson's question.

The CHAIRMAN: Mr. Olson has not completed his line of questioning yet. The supplementaries are as annoying, I am sure, to the questioner as they are to the Chair. Would you wait until Mr. Olson is finished.

Mr. OLSON: I do not mind these supplementaries, Mr. Chairman, I was going to direct your attention Dr. Purnell, to where you say, "However, unless price level is maintained to adequately reward resources involved in production there could occur a flight of these resources into some other kind of production." Has this happened in Alberta now, with the present price levels paid for grain?

Mr. PURNELL: We have seen fluctuations from year to year. Although I cannot give you figures on quotations, there were price decreases a couple of years back, as you may recall, of approximately 12 cents per bushel on wheat, and we did see some encouragement given to farmers, to move into other types of production. They tried out various commodities; sunflower seeds, rapeseed and some of these other products.

Mr. OLSON: Was it because of the price of cereal grains or was it because of the marketing restrictions, the quota?

Mr. PURNELL: Mr. Olson, what the total cause was it is the same. But we like to think of the farmer as being a type of economist, who makes his decisions based on the profits to be achieved in these various enterprises and, in this connection, relative prices of the various products have to be taken into account.

Mr. OLSON: Mr. Chairman, I appreciate this particular paragraph being in the brief because members of Parliament, who come from grain producing areas, have been talking about this for a long, long time. Of course, I know that you people have done some studies on the price of grain in relation to costs and so on. I think it would be rather helpful if you would stick your neck out a little bit, perhaps, and tell us how much of an increase is justified now in relation to the cost of production. Then we could have your thinking as to how much more the price of wheat, for example, or barley and oats should go up to justify these other costs and to keep farmers prducting this type of product.

Mr. PURNELL: Mr. Chairman, the point is made that studies have been conducted in the province of Alberta on cost of production of various commodities. This is true. However, Mr. Chairman, we have not looked specifically at price levels in relationship to some of these studies that have been made with respect to the question at hand. This is why we have restricted our recommendation to one of consideration being given to an increase without a co-efficient of exact amounts.

Mr. OLSON: I wonder if I could put it to you this way: there has been some suggestion in the press—I think the first one was sometime around the first week of December and another about ten days ago—that Canada was going to the international wheat agreement conference and was going to suggest a new maximum of $2.50. I am sure you have seen this report, and I am sure you are also aware that it will probably be for another three-year period. Do you think that this is sufficient to keep farmers in this production, and is it also sufficient to keep them financially sound, considering the increases in their cost of production, or, in your opinion, is this $2.50 maximum too low?

Mr. PURNELL: Certainly it would be a help to see the increased price in this area. As Mr. English has pointed out, the $2.18 figure, which has been the maximum in the past, has not been really all that effective in recent negotiations. As to whether or not it would be adequate to keep these resources in grain production is a very interesting question and one that I am not really prepared to answer. It would help; it would help considerably, but we recognize that production costs in agriculture are rising drastically over the years. In one year alone, we can expect a five per cent increase in production costs because of variable costs. In addition, there are increasing costs on the fixed side: interest rates, interest charges, higher land values and so, which are all connected here.

Mr. OLSON: I wonder if I could put the question to you this way, Dr. Purnell. Could you assist the Committee by making some recommendation to them as to what criteria should be used or how we are going to find out what is the correct amount to recommend, in so far as an increase is concerned for the next three years.

Mr. PURNELL: The correct amount would have to be determined through an analysis of the global demand, comparative production costs in other countries,

as well as production costs here at home. The first step, inasmuch as we are here at home, in my opinion, would be to really know what it does cost to raise these various commodities and what types of farm organization exists.

Mr. OLSON: Does your department have information available to tell us how much it costs to produce wheat and barley—that is, on some kind of an average basis? I am sure it would vary from farm to farm and from region to region, but in setting a price for the whole of western Canada, do you have any idea what this figure would be?

Mr. PURNELL: We have information along these lines in Alberta. I was not able to draw them together quickly for purposes of this meeting. I would draw your attention to comparable studies that I laid my hands on, coincidentally, for the province of Saskatchewan where we have, of course, a considerable amount of heavy grain production. I will give you those as a matter of information, and these would have to be corroborated on a wider regional basis. In 1959 production costs per acre in Saskatchewan were $13; in 1960, $14.61; and in 1964, $19.59. These are examples of trends. I use these not as absolute amounts, Mr. Chairman, but to illustrate the trends in costs of production in some of our products, in this instance, wheat.

Mr. OLSON: Mr. Chairman, I would like to put a question in respect of one other subject, and then I will pass. Your recommendation no. (7) says:

> Emergency assistance in periods of poor crops is sound economic sense and should be a joint effort of provincial and federal governments.

Has the federal government indicated to you that they are not going to participate in any further of these emergency assistance programs?

Mr. PURNELL: The information is that the federal government feels that PFAA payments in the past have constituted a major contribution by the federal government to assist farmers in need, and that in the future crop, insurance programs will be implemented, co-operatively with the provinces, in an attempt to provide supplementary assistance to farm people. It is recognized by the Alberta government that further assistance than that offered by these two means may be required from time to time. In these instances, it is our understanding that the federal participation in recent years has not been forthcoming, although in previous years there was co-operation and support for what we, in western Canada, call the snowball program in the late 'fifties.

Mr. OLSON: How much of Alberta is now under crop insurance?

Mr. PURNELL: In 1965 there were 4,000 participants in a crop insurance program in a pilot area basis.

Mr. OLSON: Is that 5 or 10 per cent, or what?

Mr. PURNELL: I do not know how many farmers would actually be eligible for it. We have 73,000 farmers classified by census figures, Mr. Olson. I would like to give you the trend, if you will permit me. In 1966 the participation was approximately 8,000 farmers and in 1967 we expect 16,000 farmers; in other words, a doubling every year. This is partly attributable to the fact that the program is offered in additional areas each year and it is partly a matter resulting from the experience of farmers in the program.

Mr. OLSON: How long will it be until the entire province is covered, using these projections as a guide?

Mr. ENGLISH: In two years we would have 68,000 farmers, if it were to double each year. It would be 16,000 in 1967, 32,000 in 1968 and in 1969 we would have covered the province.

Mr. OLSON: Are you geared up so you can handle this kind of an increase, or is this more or less hopeful or wishful thinking?

Mr. PURNELL: This is one of the major problems. The staffing of the program is going to take some time. We feel that we are geared up to handle this, as far as 1967 is concerned. Beyond that, I am not in a close enough position to answer the question.

Mr. OLSON: Mr. Chairman, I will pass now but would you put my name down again so I can speak to the other five recommendations later on?

The CHAIRMAN: All right, Mr. Olson. Mr. Gundlock, on a supplementary.

Mr. GUNDLOCK: Thank you, Mr. Chairman. I would like to go back to page two, where Mr. Purnell stated in his brief that:

> Nevertheless it would seem that the Board is in a position to obtain capital at an interest rate lower than that available to farmers.

I am sure that the farmers and the wheat board too would be very interested in where this capital is available.

Mr. ENGLISH: I would be very surprised if there were not sufficient moneys available to the wheat board to finance the marketing of western grain, so on that basis your question surprises me, Mr. Gundlock. Perhaps I am not interpreting your question correctly.

Mr. GUNDLOCK: Perhaps I am not interpreting the brief correctly because, as I read it, it said it would seem they could get capital at a lower rate of interest. Now where would they get it?

Mr. PURNELL: I am sure that you understand that most farmers face a limited capital situation. Their resources in their operations, because of this, are not in proper balance. They do not have an adequate amount of capital, generally speaking, to implement all of the new technological advances that they know can be profitable for them. Now, given these few extra dollars to invest in some of these techniques, they often can return considerable amounts above the 5, 6 or 7 per cent interest charges that may be made against borrowing. Therefore, we are suggesting, Mr. Gundlock, that all of the capital that farm people can add to their limited supply will assist them more than the 5 and 6 per cent, whereas the use of this capital by the wheat board is offsetting capital availability at, say, a market rate of interest of 5 to 5½ per cent that the board would have to pay for its operation capital over the years.

Mr. GUNDLOCK: You may or may not know, Dr. Purnell, but I have been very interested in farming operations for many years. However, I am still not clear when you say, on page two, paragraph two:

> Nevertheless it would seem that the Board is in a position to obtain capital at an interest lower...

Now where would it seem to you that that capital would be available?

Mr. PURNELL: I realize that interest rates in the market place have been increasing and that the board, as well as other Crown corporations and bodies, have had to increase the payments they make. Nevertheless, the main point here, Mr. Gundlock, is not necessarily the rate of interest for borrowing but the rate of return compared with the rate of interest in farm use, and there is quite a widespread difference. This is the point I am trying to make.

Mr. GUNDLOCK: I know full well. Just once again, let me ask you and I will then pass. From reading the brief, I feel that you must have something in mind, some pool of capital, if I might put it that way, because it is stated very clearly here, but your answers refer to another facet of financing.

Mr. PURNELL: My answer perhaps relates more explicitly to the sentences which carry on from the one that you are quoting, which say:

> Furthermore, the farmer limited in capital can often put funds to work in his farm operation—

Which I have covered. As far as specifically stating the source of funds which might be cheaper than that available to farmers, I would only say that many farmers are not paying just the 5 per cent interest that is available for loans from the Farm Credit Corporation. For example, many farmers are paying interest rates on machinery loans and other current accounts considerably above the 5 per cent rates that may be in a person's mind as being regularly available to farmers. Therefore, the rates that the board would have to pay on the market would be much below the rates the farmers would have to pay for their current operating charges and so on.

Mr. GUNDLOCK: You are saying then, that the board would normally borrow from the bank at what is commonly called the bank rate of interest and then the farmer, over and above normal bank borrowing, as we commonly know it, would have to have money at higher rates of interest. That is what you are really saying?

Mr. PURNELL: It is all in one ball of wax rather than just one simple comparison of sources of credit.

The CHAIRMAN: Mr. Purnell, may I ask you a supplementary. What is the lowest rate of interest that the province of Alberta charges any farmer on any loan?

Mr. PURNELL: Five per cent.

Mr. CLERMONT: Mr. Chairman, there are many members of this committee who would like to ask questions but time will not permit. Because of this, may I suggest that we each, in turn, rise and introduce ourselves. I think this would be of value to the committee because I have heard the question put in the bus: Who is he? I would suggest that each member rise and introduce himself to the witnesses and to the other members of the committee? It will only take five minutes.

The CHAIRMAN: The Chairman is so knowledgeable of the membership of the committee that he never thought about this.

Mr. CLERMONT: I am making this suggestion, Mr. Chairman, because I have heard questions asked as to who a certain gentleman is. They wish to know if

he is a member of the committee, which riding he represents and which province he is from?

The CHAIRMAN: Would members, starting with Mr. McKinley, say who they are and what constituency they represent?

(Members introduced themselves see Minutes of Proceedings)

The CHAIRMAN: Everyone here will note the wide make-up of the membership of this committee. Members are here from all across Canada and represent nearly every profession and farming region in Canada. Many of the members of this committee are on several other committees of the House of Commons. They are quite knowledgeable on the other facets of the economic make-up in Canada.

(*Translation*)

Mr. CLERMONT: Mr. Chairman, the recommendation No. 2 is that initial payments be increased. Could that depend on suggestions? Would Dr. Purnell have suggestions? Have many suggestions and recommendations been made, namely, that payment to each elevator be immediately absorbed by the Canadian Wheat Board rather than paid by the producer. Another recommendation is that in August another initial payment be made to the producer.

(*English*)

Mr. PURNELL: I hope that I interpreted your question correctly, Mr. Clermont. With regard to the elevator company charges being absorbed by the board, I suppose one might say in an economic sense that it would not really make a great deal of difference, that in the long run the costs would be passed either back to the producer or on to the consumer by the system.

Mr. CLERMONT: What I meant, Mr. Purnell, was the country elevator. Is it not 4½ cents a bushel?

Mr. PURNELL: The country elevator? This is still part of the marketing charges that are involved and I would answer the question in the same way. Maybe I am wrong but that is my answer on that point, Mr. Clermont.

Mr. ENGLISH: It seems to me that there would be no purpose in having the wheat board absorb those charges unless it was understood that the government of Canada would pick them up as a subsidy to the producer. If it was paid by the wheat board at the time the grain was delivered and then charged against cost of operation, the grain producer would not gain.

Mr. PURNELL: The second part of your question dealt with initial payments being made in the month of August, I believe. This, of course, would be useful to the farmers, more or less, as an advance in order that they might cover these rising costs more readily. These costs, as we have illustrated here, certainly are rising and are experienced in the early months of the year prior to the harvest season. I, personally, would be sympathetic to that type of proposal.

(*Translation*)

Mr. CLERMONT: Mr. Chairman, Item No. 5 recommends that a member of the Canadian Livestock Feed Board should include a Western representative. This

was adopted by the Canadian Parliament last year. That was the last measure adopted by the Canadian Parliament in regard to the Canadian Livestock Feed Board.

(*English*)

Is that what you call the Canadian Livestock Feed Board?

The CHAIRMAN: Do you mean the set-up of that board?

Mr. CLERMONT: I think it was approved by Parliament.

The CHAIRMAN: Mr. Purnell is suggesting that a western member be on that board.

Mr. CLERMONT: Yes, I agree with him on that. However, will the western producer be willing to agree to a recommendation made many times in the past by what we call the UCC, representing the Quebec farmers, that an eastern member should be on the Canadian Wheat Board?

Mr. PURNELL: I cannot really answer this for the producers, Mr. Clermont. I would say that considerable attention has, no doubt, been given to this question in the past by many people with greater wisdom than I have.

(*Translation*)

Mr. CLERMONT: You mentioned, Doctor, that in 1967, 16,000 Alberta farmers will take advantage of crop insurance, and if I understood correctly, you said that they understood this insurance plan better. Would amendments brought last fall by the Canadian Parliament help a greater number of farmers to take advantage of this crop insurance Act? Or should other amendments be made by the Canadian Parliament to this Act?

(*English*)

Mr. PURNELL: I am not familiar with the amendments on the crop insurance program. I do know they were made but I am not familiar with these amendments. Mr. English would like to comment.

Mr. ENGLISH: The amendment which is really significant here, I think, is that the federal government now contributes 25 per cent of premiums paid into the indemnity fund of the provincial insurance schemes. That will help to some extent. I am familiar with the original act providing crop insurance. There were 20 per cent of premiums payable at that time by the federal treasury. However, because of the way it was applied, the provinces actually got 25 per cent of the premiums paid and whether, in actual practice, the adjustment increases the amount to 30 per cent, I am not prepared to state. I think, perhaps, there is no change in that regard.

Now the matter of insuring 80 per cent of an average crop, increased from 60 per cent, is a matter which, I think, will be largely ineffective because the insurance rate would be so high as to discourage the producers of grain. Perhaps in the case of potatoes, where the yield varies so slightly and yet makes a considerable difference to the farmer, as it must do down in Prince Edward Island, there may be some point to it. It may help the farmers growing potatoes or like crops.

I might say that in my studies of the hail insurance, if the coverage in the Hanna area is reduced from 60 to 50 per cent, there is a reduction in rate from about 16 per cent down to just over 9 per cent. Now to raise it from 60 per cent to 80 per cent, I understand, would mean that premiums would have to be raised appreciably.

(*Translation*)

Mr. CLERMONT: My last question, perhaps not on the brief exactly, I noted that more than 50 per cent of the farm income is from the sale of farm animals. Last year I read an article about sheep farming in Alberta and I note in Annexes supplied to your brief, that sheep farming in Alberta is on the decrease, is this so?

(*English*)

Mr. PURNELL: Very definitely so, and I do not think it is restricted to the province of Alberta. The sheep industry in on the decline; the numbers are diminishing each year, and there are very many reasons for such a decline. These are not restricted to just the primary producer but permeate the entire trade in connection with mutton, lamb and so on.

(*Translation*)

Mr. CLERMONT: The article I read, Mr. Chairman—

(*English*)

"Alberta puts Sheep to the Test." It was by Mr. Honey.

Mr. RAPP: Mr. Chairman, I fully agree with the suggestion that the initial payments should be higher than they are at the present time. However, your brief does not mention any figure, and I think a better purpose would have been served if a figure has been mentioned. What I am actually disturbed about in respect of the international wheat agreement is this. It is no secret that our neighbours to the south are not very interested in having the high and low price raised by about 25 cents for the simple reason that it will, perhaps increase our production and thus in competitive trade they may lose some markets. The agreement had expired in 1965 and negotiations were postponed because the United States made strong representations at that time not to review it or do anything until next year. I think, when negotiations take place in Geneva this year, farm organizations, pools, UGGs and so on should come out with a strong recommendation that the high and low payments under the international wheat agreement should be increased by at least 25 cents per bushel. Sure, we would like to have 50 cents but let us try for something that we may have a chance of getting.

The CHAIRMAN: What are you asking Dr. Purnell?

Mr. RAPP: I am asking that when they or any other organization present briefs to parliament, they should present a definite figure.

The CHAIRMAN: You are asking Mr. Purnell to be more specific then?

Mr. RAPP: Yes.

Mr. PURNELL: Thank you, Mr. Rapp. I feel the very complexity that you have suggested here with respect to international relationships, non-monetary sales of grain, and non-commercial sales that can take place through public operations in the United States and through other programs in various countries, is the reason we are not suggesting a specific figure. We are not this knowledgeable about all of the ramifications that exist. We are recommending that those people who are in a better position, those people who are fully knowledgeable, weigh these various factors and after weighing them, if possible, increase the prices across the board.

Mr. RAPP: At the same time, our people in Geneva who will renegotiate these agreements should know exactly what the feelings and demands of our agricultural industry are.

Mr. SCHREYER: Dr. Purnell, I realize that it is sometimes difficult to give specific information and figures but would you not agree that a reasonable proposition would be that the initial payment could be increased by an amount approaching the lowest of the final payments made during the last ten-year period? I believe that the lowest of the final payments, with respect to wheat at least, was in the order of 35 cents in the last ten years. Therefore, it seems that on the basis of the experience of the past ten years that the initial payment could be increased by an amount approaching that figure—and certainly by 20 cents because an increase of 20 cents would still leave it below the IWA floor. There is nothing imprudent about that kind of action.

Mr. PURNELL: My answer to that would be to agree that a specific figure, moving in the direction of or every close to the minimum amount of final payment, to be taken into account in the initial payment, would be very much in order. I would, however, suggest rather than the ten-year period that the five year experience would probably be just as logical to use as the ten or twenty year experience. Although I recognize that the five years may be rather brief, it is certainly indicative of trends of the time.

Mr. SCHREYER: You would agree then, Dr. Purnell, that it would not be an imprudent course of action to advocate an increase in the order of 30, 32 or 33 cents?

Mr. PURNELL: That is correct.

Mr. JORGENSON: Mr. Chairman, my question deals with the concluding remarks in Dr. Purnell's brief in which he requests some clarification or interpretation of Section 39 of the Canadian Wheat Board Act. I wonder if Mr. Purnell would tell us precisely what troubles him about that particular section of the Canadian Wheat Board Act and what recommendations he would have for changes?

Mr. PURNELL: I cannot speak specifically to the wording in the act. I would say, with regard to the thing that concerns us, that it appears that in accordance with the act the definition of "works" includes elevators, feed mills and seed cleaning mills. Now, pertaining to the seed cleaning mills, the province of Alberta has a specific program wherein co-operative activities of farmers who require and need assistance for establishment of seed cleaning plants, can obtain assistance through the provincial government. It seems to us that if this assist-

ance is forthcoming from the provincial government, and it has given assistance to the extent of covering over 50 seed cleaning plants in this province in the past, that recognition be given to the role of the provincial government with respect to these seed cleaning plants.

Mr. JORGENSON: My recollection may be wrong but during the referendum of, I believe, 1948, was this not one of the things that were agreed upon by the people of the province, that these particular feed mills, flour mills and so on would be declared works for the general advantage of Canada?

Mr. PURNELL: I cannot vouch for this, or agree or disagree with it. But, if this is so perhaps, as in many things, changing times require a review of this situation and this is what we are asking for, that amendments to the legislation be made to recognize these principles and that consideration be given to the changing situation.

Mr. JORGENSON: You are suggesting—you made particular reference to seed cleaning mills—that they be exempt, that they simply be removed as "works" for the general advantage of Canada. Can you tell me if your seed cleaning plants deal exclusively with grain moving within a province. Is it received and sold within the province, or does grain received at those plants move in interprovincial channels?

Mr. PURNELL: I do not know of any instance where there are interprovincial movements. However, Mr. English may have a comment on that.

Mr. ENGLISH: I am not familiar with the detailed operations of our seed cleaning plants. However, most of them are owned by municipalities and co-operating farmers. They clean the seed which is brought to them by each farmer, who takes back his own grain. They should not be and are not, as far as I know, agents of the board. There may be some public seed cleaning plants. If so, they are and should be considered agents of the board.

Mr. MOORE *(Wetaskiwin)*: I have a supplementary. Is it not correct that these seed cleaning plants, under certain conditions, may have to bring in seed from other provinces, in the case of a shortage in one province? Possibly they might also have to ship seed out to another province.

Mr. PURNELL: This could happen but it does not very often happen. I would say that over 90 per cent of the business of these co-operative plants, at least the ones that we are talking about, is local.

Mr. MOORE *(Wetaskiwin)*: I suppose a general frost or other factors in a certain province could cause this to happen, or a shortage?

Mr. ENGLISH: Twenty years ago there were a great many thousands of bushels of seed oats shipped to Saskatchewan year after year. That situation is not likely occur since the demise of the horse.

Mr. MOORE *(Wetaskiwin)*: Yes, I remember this happening in the past?

Mr. JORGENSON: Since the Canadian wheat board have been given the authority, in spite of the fact this authority has been challenged on occasion in the courts, for the interprovincial movement of grain—I might say the courts have continuously upheld the power of the board in this respect—have you given

any thought to what effect the removal of these plants as agents of the Canadian wheat board would have on the jurisdiction of the board on the interprovincial movement of grain?

Mr. PURNELL: To the extent that any major portion of the business coming to these seed cleaning plants is interprovincial, it could create some problems for the board. We recognize this. But we do see that most of this is, as we say, local business fact—a very large percentage of it—and we feel that consideration could be given to amendments in accordance with that situation.

Mr. JORGENSON: I am sure you must be aware, Dr. Purnell, that several years ago amendments were made in the regulations of the board which permitted off-quota grain to be delivered to feed mills. Is this not sufficient to take care of the situation that you are talking about at this time?

Mr. PURNELL: Perhaps in part but not entirely. We feel, generally that if the role of the provincial bodies could be more readily recognized through this legislation, then this would take care of the problem.

Mr. JORGENSON: One other point I would like to bring up is in respect of section seven of your brief, dealing with emergency assistance. What do you envisage would be necessary to take care of situations you describe in your brief in addition to existing crop insurance legislation? I am not familiar with the type of crop insurance legislation you have in this province, but do you not feel, to a large extent, that where crop insurance is applicable in the areas you have extended it to, that crop insurance will not cover the type of crop losses you suffer in this province. Or, do you feel something additional is required?

Mr. PURNELL: Where crop insurance has been extended, generally speaking, it can very greatly facilitate the handling of problems of this kind. Mind you, it has not been extended to all areas and previously, in 1966, it was not advisable to the areas we have specifically mentioned. In addition, because of crop loss experience in some of these areas the premium rates could be such that the crop insurance program may not be adequate to cover the needs of an area because of the fact, as you know, crop insurance is implemented on a wide-scale basis. There may be pockets within a region which require some income assistance in periods of poor climatic conditions. The crop insurance would not be implemented in an area of this kind because it would not necessarily be applicable in the pockets.

Mr. JORGENSON: I wonder, Dr. Purnell, if you could tell me what manner of crop loss was sustained in those areas. What was the cause of crop losses?

Mr. PURNELL: The cause was inclement weather sometimes excessive rainfall, poorly timed rainfall or no rainfall at all. These were experienced repeatedly from year to year, and in order to qualify for any emergency crop assistance the losses had to be demonstrated as having been experienced over a period of time and covering a general area.

Mr. MOORE (*Wetaskiwin*): Could I ask a supplementary, Mr. Chairman. I happen to be from an area where this situation was the case. The areas that needed crop insurance more than any other were the ones without it; in other words there was no assistance for these people. This was due to excessive

moisture in the gray wooded area in west central Alberta. I am beginning to think that the crop of insurance so far, at least, has helped those people who needed the help least and has covered the areas where there was the least risk. Is this correct or could you comment on that?

Mr. PURNELL: When the four pilot areas were implemented in the province, in 1965, when crop insurance started, variations were taken into consideration. They picked areas with good experience and areas with poor experience. They could not cover all areas with both good and bad experience. The pilot program, as defined, of course would try to take into account these variations.

Mr. MOORE (*Wetaskiwin*): Will these areas be covered shortly or will the higher premiums rule them out?

Mr. PURNELL: Some of them will be covered and some of the areas will be ruled out because of premiums. I would like Mr. English to comment on that too.

Mr. ENGLISH: The area in which you are interested, Mr. Moore, or at least that you are acquainted with in the western area of your constituency, is an area with a good experience in so far as yield is concerned. Of course, as you know, it is water rather than drought that has caused them distress in the last two or three years. In the northern part, the area now giving concern, two years ago the extreme northern part of the Peace River district was extremely wet. The last two years it has been extremely dry which, again, is unusual for that district.

Mr. JORGENSON: I think, Mr. Chairman, that I have built sufficient launching pads for Mr. Moore's missiles.

The CHAIRMAN: This is why I object to supplementary questions, because it generally takes away from the questioner what he has in mind.

Mr. DANFORTH: Mr. Chairman, I am certainly impressed by this brief presented by Dr. Purnell and Mr. English, and their added comments represent a lot of background information and research. Dr. Purnell, I would like to deal with one specific point in the brief listed under No. 4 where you suggest a federal-provincial review of wheat board control of feed grain sales. Do you not feel under this new Canadian livestock feed grain agency that will be set up that such a procedure will be necessitated by the very scope of the power given to this board?

Mr. PURNELL: No, I do not. I may not be fully familiar with the powers of the board but such things as freedom of flow in interprovincial non-quota grains, I think, would not necessarily come under the jurisdiction of that board but rather continue under the jurisdiction of the Canadian wheat board. In that respect this is one of the main purposes for asking for a federal-provincial review for this point and other related ones to be taken into account.

Mr. DANFORTH: Under No. 4 where you elaborated, it was not possible, I know, to elaborate to the degree you would wish to but are you advocating that restrictions be lifted concerning interprovincial flow of coarse grains—feed grains?

Mr. PURNELL: We are advocating that a review be made of the situation and if that review reveals that it should be lifted then this would be the answer. But,

we are not suggesting the answer. I think we mentioned this before. I am not prepared to suggest one answer as compared with another. There are considerable materials in Kerr's report which could serve as a basis for such an intensive investigation by federal-provincial committees or groups.

Mr. DANFORTH: Dr. Purnell, is corn itself included under the coarse grains in the west? Is it included as one of the controlled crops?

Mr. PURNELL: No, it is not.

Mr. DANFORTH: There would be no concern or legal opposition, then, to prevent a flow, say, of Ontario corn as a feed grain into the three western provinces?

Mr. PURNELL: Not that I know of. It may be there but I do not know of it.

Mr. DANFORTH: I speak of this because in the east we are very much concerned about the fact that because of tremendous sales of wheat there may be a drop in production of what we consider vital feed grain. Now, in your study of this situation, and I am sure you have gone into it in detail, is there a trend now in process in the west towards the decreased plantings of coarse grains?

Mr. PURNELL: I would like Mr. English to comment on the trends in coarse grain production.

Mr. ENGLISH: The production of oats and the acreage devoted to oats is gradually decreasing but barley is perking up. I do not think Alberta ever produced more than about 119 million bushels of barley in any one year until 1966. The areas in which most of our barley is grown produced just about an average crop in 1966. Our production was 154 million bushels of barley. While our oats are diminishing, we are concerned that farmers in Alberta will grow oats until they cannot sell them any longer because the demand for oats is decreasing. We are surprised that the price of oats is staying up as high as it is as compared with barley.

Now, Mr. Olson's question precipitated a discussion about the sensitivity of agriculture in Alberta to competing markets, livestock or grain. I think this Committee would be interested to know that we have a very knowledgeable group of farmers in Alberta who can roll with the trends. In 1940 Alberta farmers seeded 8.6 million acres to wheat. In the years that followed they got down to as low as 54 per cent of that acreage, around 4.6 million. Now we are gradually creeping up in wheat, but as Mr. Olson and Mr. Horner know, certain parts of our province are ideally adapted to wheat. As a matter of fact, they stand on the same scale as the Saskatchewan wheatlands.

When our farmers in those areas are forced to go out of wheat because of low price they are going to compete with our livestock producers. There is some discussion among farmers in our central and northern areas who say they want the price of wheat to say up, not because they have it to sell or that they can compete with the other boys, but if they go into livestock production in any way it will put pressure on our prices. Now, in 1940 Alberta sold about 100,000 butcher steers and heifers. Now it is up to not far from three-quarters of a million butcher steers and heifers and the grades have increased from 25 to 30

per cent of good and choice to 80 per cent to 85 per cent. So you will understand that we do have a sensitivity to resource use in agriculture in Alberta and I do not think any province in western Canada comes anywhere near the changes that have taken place in Alberta.

The few figures I have used as an illustration of this should sufficiently convince you that we have a situation that is responsive to many factors. The fact that our wheat is now paid for on the basis of Vancouver freight rates may give some advantage to the wheat grower, but so many parts of our province while they will grow wheat, do not produce a quality desired in most of the foreign markets.

Mr. DANFORTH: Mr. English, to get the information I would particularly like to get, may I put it this way: If there is an increased demand for Canadian wheat, which we are hoping for and anticipating, and with the increased livestock production in Alberta which you have pointed out, do you foresee that Alberta will be using more of its own available feed grains? That the feed grains themselves in acreage will be fewer in number and that there will be less feed grain available for eastern Canada if these present trends continue?

Mr. ENGLISH: I wonder if this would be an answer to you Mr. Danforth? As long as you depend upon the west for your feeder cattle you will have grain to feed them. You will have grain to feed all the cattle you receive from the west.

Mr. PURNELL: May I, Mr. Chairman, comment briefly on this question? The points I tried to bring out in the brief, related to the expansion of production, I think would come back to your point. We have 6.5 million acres of summerfallow, some of which—not all—could be transferred to production of feed grains. We have several millions of acres of arable land which is yet to be developed which can, in part at least, be used for feed grain production. Therefore, I would anticipate, as we use more fertilizer, the yield per acre and so forth can bring forth increased production and given suitable price relationships the response will take place and there will be an adequate supply.

The CHAIRMAN: That is the most important thing—a suitable price relationship. Are you done, Mr. Danforth? We are going to have to speed along in order to be fair to the other witness who are going to appear before this Committee. We have two members that have not asked questions and who have signified their desire to do so, first of all, Mr. Côté?

(*Translation*)

Mr. CÔTÉ (*Nicolet-Yamaska*): Mr. Chairman, my question is directed to Mr. Purnell or his colleague in regard to crop insurance. When a farmer applies to crop insurance, what sum of money must he invest to protect an acre of wheat or an acre of potatoes. What does the provincial government, what does the federal government contribute toward the premium and what does the farmer have to pay?

(*English*)

Mr. ENGLISH: Premiums in Alberta would vary all the way from about 8 per cent to 16 per cent. The 16 per cent, of course, is in the area we feel is rather dubious. It is a very high risk and it is not planned to enter that area just at the

moment. About 9 per cent and 60 per cent of an average crop of wheat, 20 bushels, is about 14 bushels of wheat priced at a $1.50. It is sometimes priced at about $1.75 but that is up to the board. This would give about $21. At 10 per cent the farmer would pay $2.10 per acre and that would be about the average for Alberta.

(*Translation*)

Mr. CÔTÉ: And the provincial government pays the same amount, is that right, I think the proportion is a third—a third paid by the federal, a third by the provincial and a third by the producer, is not that the case?

(*English*)

Mr. ENGLISH: The federal government pay 25 per cent of all farmer premiums paid. The federal government contribution goes into the indemnity fund and the provincial and federal governments divide the administration costs. Administration costs will likely be about 25 per cent of premiums. So, altogether the governments, between them in one way or another pay 50 per cent of the amount paid into the indemnity funds by the farmers.

(*Translation*)

Mr. CÔTÉ: If I understand correctly, the farmer pays 60 per cent of the premiums where production is normal. When I put the question to you to find out what sum of money would protect an acre of land, that would mean, if I understood your reply, that the farmer insures an acre of land for about 60 per cent of an average crop, is that it?

(*English*)

Mr. ENGLISH: No; I think your 60 per cent comes from the point that the farmer is insured or guaranteed 60 per cent of an average yield. That is where your 60 per cent comes in. But he pays the calculated amount of premiums that is indicated by the risk involved. Do you get that?

The CHAIRMAN: Mr. English, if I may, to inform Mr. Côté, all of this is in our previous proceedings on the rates for crop insurance and quite detailed. I am sure that when we get back to Ottawa and the Committee meets again we can go over this. But it is all outlined in great detail in those Committee proceedings. Do you have any further questions, Mr. Côté? Mr. Peters, did you have a question?

Mr. PETERS: Yes I have two questions. First, you mentioned that we had to find some way of improving the transportation system and you mentioned the difficulties which have occurred with regard to stock car shortages. What is the relationship in western Canada between the railway and the type of freight they are willing to handle and the operation they have in providing facilities for handling produce? You mentioned the shortage in this one field but we also hear of shortages in certain sectors of grain handling.

The CHAIRMAN: May I say something, Mr. Peters? I received a telegram here today—it was not from my wife—to the Chairman of the Agriculture Committee meeting in Calgary.

> We are worried about slow movement of out of condition grain from the Peace River country elevators especially Nampa and Eaglesham

elevators are congested and railway cars not being spotted in sufficient numbers to move all damp grain before the spring.

This will supplement your question.

Mr. PETERS: We are well aware of the reluctance on the part of the railway to supply cars for low-cost grain handling and probably it is the same with stock where there appear to be other products that are more advantageous from their point of view. What steps does the provincial government take to insist on or to regulate the flow of cars? For instance, this problem which has arisen; what have you done to eliminate the problem in Peace River of the damp grain where the railway does not seem to have done enough?

Mr. PURNELL: Just moral support to improve the situation. We do not have any real authority in this field of transportation.

Mr. PETERS: Do you feel you should have more authority in the operation and control of box car movements for grain?

Mr. PURNELL: Not necessarily; I only consider that the industry needs the services of the transportation facilities and if these services are not forthcoming the service group need very seriously to look at the future. If they cannot meet the needs today, what about the future when we have this expanding production coming to face us because of increasing global, national and provincial demands? I certainly feel that increased planning by these agencies is necessary. Now, this is outside of the jurisdiction of the province.

Mr. PETERS: You are talking about the service industry? What are you referring to, then?

Mr. PURNELL: Railways.

Mr. PETERS: Canadian National or Canadian Pacific?

Mr. PURNELL: Both.

Mr. PETERS: Yes, but what action should we take, then, to make sure that this type of problem can be eliminated. If we damn well leave it up to the railways the railways will say: we will put the cars there when we want to and not when you need them. Now, we as an agriculture committee, in view of the considerable transportation subsidy, in my opinion have some justification in asking the railways to put in 50 or 100 box cars in an area where the need is very great. I am sure this is true with the stock cars. I know the railways do not like handling stock if they can handle something else, because there is no money in it. What is your recommendation? You mentioned it, so what is your recommendation to the Committee? How far do you think we should go into this? Who do you think should control the movement of this service industry? Obviously, the industry is not doing it and you have indicated that yourself.

Mr. PURNELL: We would not be prepared to make very many explicit points on that matter, Mr. Peters. I would just say, inasmuch as transportation regulation falls under the jurisdiction of federal legislation, that an effort should be made to ensure adequacy of facilities and to encourage objective external studies to be made on the needs and growing demands outside the transportation agency. You have a man in the room, I think, who is quite knowledgeable about the transportation facilities.

Mr. PETERS: We heard from one of the CPR officials that there is no problem in grain movement and now we learn there is a problem in specific areas.

The CHAIRMAN: I should say this telegram was sent by a Mr. Hibbard, Director, District 2, Farmers Union of Alberta.

Mr. ENGLISH: Mr. Peters, I think you will recall that on occasion the federal government has appointed a commissioner in charge of the allocation of these box cars. They obviously have the authority but it is not exercised or needed all the time. But there are a lot of fringe inconveniences that are not taken care of even when—

Mr. PETERS: May I ask you, when the federal government did exercise that jurisdiction with a commissioner, did this eliminate the problem in small communities where service on branch lines was difficult? Did this eliminate the problem of shipment?

Mr. ENGLISH: It was an extreme case and we were all inconvenienced at that time.

Mr. PETERS: Was the commissioner an advantage in solving these problems?

Mr. ENGLISH: I cannot answer that question.

Mr. PETERS: It is history. The last question I would like to ask—

The CHAIRMAN: Mr. Peters, you might remember that last transportation legislation which was passed. It gives this new board some wide review powers and we hope this will eliminate some of these problems.

Mr. PETERS: Are you not fearful? You are asking for three types of assistance to farmers in Alberta. One of them bothers me because I do not understand it entirely and I think it is an asset you have in western Canada which we do not have in eastern Canada, namely, PFRA. You have PFRA which is an assistance program, Prairie Farm Rehabilitation Act, which you pay money into and receive benefits from. You also have crop insurance which the federal government participates in.

Mr. WATSON (*Assiniboia*): PFAA.

Mr. PETERS: Yes, well I said I did not know much about it. The other one, the crop insurance plan, is a joint program but you are also asking, as I understand it, for the extension of the other program which is strictly an emergency assistance program where the provincial government declares an area to be a disaster area and asks the federal government to pay 50 per cent of the cost of disaster payments. Do you not feel that if you take advantage of the emergency program you will lose the advantage of at least the other one?

Mr. PURNELL: The Prairie Farmers' Assistance Act is, incidentally, one to which the farmer himself contributes in a semi-insurance program, Mr. Peters, as you know and so, therefore, it is not strictly one of federal or provincial governments assisting the farmers, although there is some degree of assistance involved. It only acts as a very minimum guarantee or floor and it is not one that has been completely helpful, and this is one of the reasons for implementation of crop insurance. I would not expect that crop insurance, as we have explained

already, would completely meet the needs of emergency assistance to farmers as PFAA has not met the needs of farmers in assisting them in the emergency program.

Mr. PETERS: Would each one be in a separate category of need?

Mr. PURNELL: I do not know exactly how the criteria would be set up but all three would not necessarily be serving the same area. We would expect the emergency type of assistance to be aiding in the areas that would not be covered, say, by crop insurance or not adequately assisted by PFAA.

The CHAIRMAN: Mr. Watson are your two short questions like Mr. Peters?

Mr. WATSON *(Assiniboia)*: Mr. Chairman, it seems one of the penalties of coming late is that you always want real short questions. I wanted to refer specifically to paragraph and Mr. Jorgenson covered this fairly thoroughly. There was one question which, I believe, Mr. English replied to that I was not quite clear on. This was the point of his reference to the co-op or government cleaning plants in relation, as I understood it, to private cleaning plants. I wanted to clarify the point he tried to make as to who should and who should not be in this business.

Mr. ENGLISH: In Alberta we have co-operative seed cleaning plants. They are financed—I am not sure of this—about one-third by the farmer, one-third by the municipality and one-third by the provincial government. Their purpose is to clean for those farmers who co-operate in providing the one-third capital and operating expenses of the plant. Their purpose is to clean their co-operating members' grain. There is no reason why they should be licenced as agents of the wheat board. It is simply that.

Mr. PURNELL: There may be private concerns also which set up their own seed cleaning operation, perhaps in connection with a line elevator, and so on, that can and does clean seed. This is a separate group from the co-operative seed cleaning plants in the province.

Mr. WATSON *(Assiniboia)*: Are you suggesting that they should not be in the business of cleaning seed grain?

Mr. ENGLISH: They should not be required to be licenced under the wheat board.

Mr. PURNELL: We are not suggesting anything with respect to the restriction of operation.

Mr. WATSON *(Assiniboia)*: Again, referring to question number six, Mr. Peters covered transportation. In your last paragraph you refer to railways also having to improve transportation facilities and before that you relate it to industry examining its grain handling facilities. I presume you were referring to the elevator companies specifically here. What recommendations would you have for the railways in their transportation set-up to make their facilities for handling grain more economical?

Mr. PURNELL: I am not really prepared to answer this question. There are so many things that enter the picture. Mr. Channon who is present in this room and was seconded, I believe to your Committee, is much more knowledgeable about

this area than I am or will be. His area of investigation has great interest for me and, I think, holds considerable amounts of possibilities and potential. There are so many things that might be suggested that we need, I think, to have better grounds for these suggestions than to make off-the-cuff-comments, Mr. Watson.

Mr. WATSON *(Assiniboia)*: Dr. Purnell, this is your brief, I believe, and you have made the suggestions. If you have made the suggestions you must have some basis for making them. Therefore, you should have some recommendations. I think this could be carried on in your summaries numbered 1 and 2, referring to the prices of grain. These are very general statements that we can only agree with, but referring to what some of the other members mentioned, you did not come up with any recommendations. I would like to ask you whether you think number 1 or number 2 is the most important recommendation? Which one are you putting the most emphasis on, the increase in the initial payments or on the—

Mr. PURNELL: The increase in the total payment; the realization of the farmer is the most important single factor. Wherever that can be achieved, this would be the most salient point.

Mr. WATSON *(Assiniboia)*: But you still do not come up with any recommendation that it should be at least 50 cents a bushel based on studies that the government has made. I was very interested in page 6 of your brief where you refer to the amount of fertilizer in Alberta, and also you state in number 7 that Alberta has 10 or 12 million acres of potential farmland which is over 50 per cent of the arable land in Canada and this can still be developed for agricultural purposes. But you still had to refer to Saskatchewan, which is the province I come from, to come up with some figures for what it cost to work an acre of land in producing wheat.

Mr. PURNELL: Mr. Watson, as I mentioned in my comments earlier, we have data on production costs in Alberta with regard to many commodities; oil seeds, barley, oats, and wheat as well. Unfortunately our program of studies has not been implemented over as long a period as some other areas. In respect of wheat production costs, for example, I can give you figures that show the production costs in Alberta running at $15 per acre and $12 per acre for 1963-64. But other than these I cannot give you specifics for general costs of production. Again, let me reiterate, it is not within the scope of our position to consider all the various ramifications that are involved in suggesting exact figures for international wheat agreement prices even though we might go to work and bring together a lot of data with respect to production costs. There are so many other ramifications entering the picture that we are not prepared to state a specific figure.

The CHAIRMAN: I am going to suggest to the Committee at this time that we discontinue the line of questioning to Dr. Purnell and Mr. English and hear the report from the Alberta Pool who have been patiently waiting. I have still in front of me a long list of names of people who want to ask questions. Some of these questions could, perhaps, be asked of the Pool. I have not had time to read their brief. Some of these very same statements that Dr. Purnell is making in answer to your questions might fit in. Also, if the Committee wants to question Dr. Purnell and Mr. English further, you have the power to call them to Ottawa.

so long as you pay their expenses, and have them before the Committee again. We are never going to get done with the Alberta pool and we should hear their brief and have some questions on their brief. Is the Committee agreeable to this?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Dr. Purnell would like to make one final comment.

Dr. PURNELL: I would express sincere appreciation to the Committee for hearing us. I would, in answer to some of these questions, point out that we do have a considerable number of studies that have been made over the years and if any of these reports, which I do not have with me today, could be of use to you we would be most pleased to make them available to the Committee, Mr. Chairman, either in the near future or immediately upon your return to Ottawa. We are very happy to give this co-operation.

The CHAIRMAN: On behalf of the Committee, I would like to say we certainly appreciate the submission you and Mr. English have made and your appearance before the Committee. I am sure you have been helpful to the Committee and we would appreciate any information you can send to us in Ottawa that pertains to your brief. Thank you.

Does everyone have a copy of the Alberta Wheat Pool presentation? Mr. Nelson Malm, First Vice President of the Alberta Wheat Pool, will make the presentation and he has several of his officials with him. I would like to ask Mr. Malm before he starts his presentation to introduce his officials and give their position and firms.

Mr. NELSON MALM (*First Vice President, Alberta Wheat Pool*): I have with me here, Mr. Chairman, and gentlemen, to my immediate left, Mr. Allan Macpherson, Second Vice President of the Alberta Wheat Pool; Mr. Allan Gibson, Director of Publicity, Alberta Wheat Pool; Mr. Lloyd Nowlan, Operations Manager of the Alberta Wheat Pool. We had one more gentleman here, Mr. Harbrun, who will be here in a moment. He is Manager, Sales and Traffic. We also have some gentlemen sitting back here whom I would like to introduce to you at this time. They are officials of the Alberta Wheat Pool. We have Mr. Rosenberger, director of the Alberta Wheat Pool; Mr. Broughton, secretary, Alberta Wheat Pool; Mr. Friesen, economist with the Alberta Wheat Pool, and we have a gentleman we regard very highly, our retired Superintendent of Publicity, Mr. Nesbitt. We expected our general manager, Mr. Baker, to be back here before this. He had another appointment and unfortunately he has not been able to get back yet. These are some of the people we have here.

Mr. Chairman, members of the House of Commons Standing Committee on Agriculture, Forestry and Rural Development, we have prepared a brief which we hope will answer some of your questions.

We are pleased that members of your committee saw fit to arrange this tour of western Canada to acquaint yourselves with the area and some of the operations of the Canadian Wheat Board, and that you were able to work in a stop here in Calgary. We have no lengthy submission to make, but welcome the opportunity to meet with you, offer a few comments, and probably answer some of the questions which may arise as a result of your visit. I also want to mention in presenting this brief that our President, Mr. Harold, was not able to be in

attendance and present this brief because he was called to Winnipeg in connection with some matters dealing with the Canadian Wheat Board.

We have no Expo '67 as such in Alberta, but Canada's birthday is not going unnoticed here despite the fact that this area was still only a buffalo pasture and game sanctuary at the time of Canada's Confederation. Alberta as such is one of the late-comers to the family of provinces which make up this nation, having attained the status of a province only sixty-two years ago. This, however, does not lessen our enthusiasm for the nation of which we are justly proud, for we are part of a region with a history of some commercial significance and maybe greater in proportion than our years of adulthood.

Commerce began here some 297 years ago when King Charles II granted a charter to his cousin, Prince Rupert, and a few friends to trade in the virtually unknown region westward from Hudson's Bay on this continent. Their trading area was the expanse of land tributary to the highways of the day, that is, the rivers that wound their way eastward from the Rocky Mountains to the north Atlantic. Many of you are familiar with the exciting history of these years, thanks to the works of numerous good researchers and writers of modern times who have taken an interest in the great heritage which is ours.

There is considerable romance to the days covered since the year 1670, but the most romantic and progressive, we believe, is that in the period since agricultural settlement and development began on a serious and substantial basis. The people who chose to stake their future welfare on this unknown region were for the most part the adventurous and industrious men and women from their communities. This was fortunate, for they came to an area to develop industries, commerce, and social and educational institutions where none existed before. Their problems can hardly be numbered. There were no surveys, no soil maps, very little climatic data, few commercial institutions, a lack of transportation, and if not neglect, neither was there a great deal of participation and encouragement by government. Adversity, however, sometimes has its virtues, and the numerous obstacles in the prairie regions have resulted in a record of progress, which, we think, the nation can view with some pride. Not the least of this has been in the fields of commerce concerned with agriculture, and much of this has been developed by farmers themselves as an extra burden to their immediate and daily tasks of earning a living.

The growth of commerce in any region involves progress in several directions, beginning with the exploration for and exploitation of raw materials, processing, marketing, and transportation. We are, of course, most familiar with the grain sector of agriculture, as grains were the items for which the prairies seemed naturally suited, and which led more than any other reason to the rapid opening up of the vast region between the Great Lakes and the Rockies. Development of grain growing on a commercial scale started in the 1880's and was co-incident with the immigration policies of the day and the development of railroad transportation. In fact, it did slightly precede transportation in many areas, and still does. Some of the settlers in our newly developing northern areas haul grain fifty to sixty miles to market, and as recently as five or six years ago some had a haul of a hundred miles or more.

The building of a nation-spanning railroad was a tremendous undertaking, and its completion was a great tribute to the policies of that day and to the men who brought them to reality. The prairie regions would have developed much more slowly had the railroad been built at a later date, and the entire nation's progress would have been held up proportionately. But, the circumstances of the times also led to situations which were none too advantageous to the farmer.

The early railroad companies, rightly interested in transportation itself, left the establishment of facilities for the assembly and initial marketing of grain for others to develop, but in offering inducements for this purpose, inadvertently created semi-monopolistic situations which became a great hardship to the producer. These provided a stimulus for organization by the farmers for the initial step beyond production, the handling and merchandising of their products. You will appreciate, Mr. Chairman, and members, that in the 1880's and 1890's, as grain production on a commercial scale began in the province of Manitoba, the first requirement was markets outside of the prairie region and, very soon after, outside of Canada itself. Initially of course, there were no markets beyond local use, none for outside of the prairies, and, of course, none for export. In your visit you will, no doubt, be hearing in detail about the development of marketing facilities in Winnipeg. We, therefore, will not burden you in this regard, except to say, we believe that the grain producing industry developed much more rapidly than did the facilities and institutions to handle these crops and market them to the advantage of the producer.

The semi-monopolistic situations which we referred to earlier arose out of curtailed competition at local delivery points. The railways, in an attempt to attract builders of facilities, granted privileges which in some cases resulted in a lack of competition at the elevator point. Where only a single facility for receiving grain existed, farmers making deliveries were largely at the mercy of the operator. You can well imagine what this led to. The elevator operator with a limited number of bins and space on a given day might only be able to receive No. 4 or No. 5 wheat, and producers with better grades in their wagons had the choice of settling for those grades, or taking their grain back home.

The future's system of trading as practiced on the Winnipeg market, while in theory was not without attribute, never won the confidence of the grain producer. In fact, it earned more contempt than confidence, and possibly for good reason.

The combination of these situations and numerous hazards in the production of grain led to agitation, and later to organized efforts to improve conditions. Legislation was developed to establish grades and conditions of handling. The first of these provisions were contained in the Manitoba Grain Act of 1900. This Act was amended and expanded, as occasion arose, and finally developed into the Canada Grain Act of 1912. This act also received a major revision in the early 1930's. With numerous amendments, this legislation and its administration brought many improvements for the producer in the form of fair grades, honest weights, and accurate dockage. By establishing high standards, the Canada Grain Act gave Canadian wheat the highest status and a most enviable reputation on the world's markets.

Co-incident with these developments, farmers were organizing to improve conditions at the delivery and marketing levels. The first step of a substantial nature occurred in Saskatchewan in the year 1906 and led eventually to many improvements. Although it seemed a monumental task, it was uppermost in the minds of many farmers from their earliest introduction to grain producing that some orderly system of grain marketing would be beneficial. Bearing in mind that it had been necessary almost from the beginning to find export markets for about three-quarters of the wheat production in western Canada, and that the production of grain fluctuated from year to year for reasons largely out of the farmer's control, it seemed logical that a selling system was needed which could to some degree at least withhold stocks of surplus grain against years when crops were light and markets more favourable.

The first substantial encouragement to this idea occurred in 1917 when the dominion government in the interests of our allies and our war effort instituted a Board of Grain Supervisors: "to prevent to the utmost possible extent any undue inflation or depreciation of values by speculating, by hoarding of grain supplies, or by any other means." This was Canada's first venture in government wheat marketing, and being a war-time measure was discontinued on July 31, 1919.

For various reasons, however, including strong and vigorous encouragement by the farmers for the continuation of government marketing, the first Canadian Wheat Board was established on August 15, 1919, with instructions to sell the wheat from the 1919 crop: "at prices which would bring the greatest benefit to Canada as a whole." This crop was handled on a pooling basis and the Board's functions expired on July 31, 1920. The results of that year's experience, coupled with a decline in wheat prices thereafter, led to great agitation on the part of western farmers for a centralized and orderly marketing system. As the governments of the day could not be persuaded to re-enter the picture, producers turned to the organization of co-operative marketing methods. Using the organization of the "United Farmers of Alberta" in this province, they were able to organize a wheat pool in time to commence business and handle the 1923 crop. Saskatchewan and Manitoba pools were organized shortly thereafter and commenced business in 1924.

The first activities of the Pools were in the marketing field, which later acquired elevator facilites. The results of these pooling efforts were satisfactory to farmers and were carried out with considerable success until the disastrous economic recession of late 1929 and the early 1930's overtook the grain industry. From the experience gained in these operations, farmers were more convinced than ever that due to our overwhelming dependence on export markets, an orderly marketing system carried out by, or under, the auspices of federal legislation was desirable.

Mr. Chairman, you and your members are acquainted with the developments in the early 1930's culminating in the passing of the Canadian Wheat Board Act of 1935, the Wheat Board's operations from that time until 1943 when future's trading in wheat was suspended, and its subsequent role as sole marketing agent for western wheat, oats, and barley.

As farmers and farm organizations, we are tremendously proud of the development of this orderly system of marketing, of the beneficial results it has had for the producers over the years, and the influential role it has played in international trade on behalf of this nation. Canada has been able to lend encouragement to international wheat agreements in the knowledge that its wheat producers favoured such a pact, and with the existence of the Canadian Wheat Board as a marketing facility, that it would be possible for us to participate effectively in such arrangements. We would, also, like to be on record at this time in tribute to the commissioners of the Canadian Wheat Board over the years who have carried out their functions with diligence and integrity.

We are respectful also of the role of the federal government in:

1. Maintaining the Canadian Wheat Board Act
2. Supporting the Canadian Wheat Board system of marketing
3. Assisting the Board through the facilities of its trade commissioners' offices abroad, and
4. The provisions that it has made in credit arrangements for overseas purchasers.

The interest you have shown in making this trip, we believe, speaks well of your recognition of this progressive marketing development.

While we view with satisfaction the developments to date, we are not without problems in our current operations, nor without some objectives for the future.

Based on the favourable results of the past, our members have for years requested the federal government to make provision for the marketing of flax, rye, and rapeseed by Canadian Wheat Board. This request has been made directly to the government through the Ministers of Agriculture and Trade and Commerce, and has been included for several years in the annual presentation of the Canadian Federation of Agriculture to the federal government.

Last spring, on behalf of the Western Agricultural Conference of the CFA, a submission was made re-affirming this request and suggesting that, if the government felt it necessary, a plebiscite be held on this matter to determine to its satisfaction the views of the producers of these grains. This submission was made in Ottawa on May 20, 1966. Some of its conclusions and recommendations are as follows:

(i) The farm organizations which support this submission represent a large majority of grain producers in the three prairie provinces.

(ii) The production of rye, flax, and rapeseed is increasing and most of the Canadian production of these three grains occurs on farms within the Wheat Board's jurisdiction in Western Canada.

(iii) A significant portion of each grain is sold on the export market either as seed or in processed form.

(vi) Because the Wheat Board has power to regulate delivery of rye, flax, and rapeseed to country elevators, producers argue the Board should also assume the marketing power because producers are frequently not able to take advantage of the changing market price.

(vii) Foreign purchasers have often said they prefer to buy their requirements of rye, flax, and rapeseed from a single selling agency where uniform delivery arrangements could be assured.

(ix) Wheat Board control of these grains would likely encourage diversity of prairie grain production, bringing increased benefits to those who increase their production of rye, flax, and rapeseed and also to those who remain in the production of other grains.

Another matter of concern to our members is their inability to utilize their own elevator facilities for the entire marketing of their grain crops. This is a question with which you are, no doubt, familiar. It has been a problem for Pool members to a greater or lesser degree since about the year 1950.

The grain delivery quota system employed by the Canadian Wheat Board is probably the very crux of the orderly marketing procedure, and one which our members support overwhelmingly. By it each producer shares proportionately in the available elevator space. As the quota system is used by the Canadian Wheat Board to ensure each producer an equitable delivery opportunity the Board in turn controls the movement of grain from country elevators to terminal points by the issuance of shipping orders to the elevator companies. This makes it possible for the Board to ensure that the right kinds and grades of grain are in position to meet market requirements.

We are in full agreement with these procedures, but have found over the years that a degree of inflexibility in the formula for the allocation of shipping orders has made it impossible to create sufficient space in Pool elevators for members to fully utilize their own facilities. On numerous occasions we have pursued this matter singly, and jointly with the other farm organizations, with limited success. The rigid formula applied for years was modified somewhat following the Bracken Inquiry, and has permitted some improvement, but from the standpoint of assuring producers the opportunity to deliver to the elevator of their choice, it is still too restrictive.

We would favour:

1. More flexibility in the formula for the allocation of shipping orders to the grain handling companies, and

2. A modification of the provisions for the relief of congested elevators.

The current provision for the relief of congested elevators entitles the elevator agent to two additional boxcars on application if he has a total of less than 4,000 bushels of available space in his elevator. With the increasing size of country elevators, less frequent freight train service, multiplicity of kinds and grades of grain, and other factors, it is becoming increasingly difficult for individual agents to qualify for this provision. Taking into account all relevant factors, a provision which would reflect the total capacity of the elevator, rather than the rigid 4,000 bushel figure, would, we believe, be more equitable. We would suggest rather than 4,000 bushels, unfilled space equivalent to possibly eight per cent of total capacity as a qualification for additional boxcars.

Feed Grains

As producers, the members of Alberta Wheat Pool have a continuing and appreciable interest in the feed grain industry of Canada, and in government policies relating thereto. We supported the inclusion of marketing of oats and barley by the Canadian Wheat Board back in 1948, and the current arrangements in respect to internal trade as between grain producers and livestock feeders, producers and feed mills, and the current arrangements which prevail in British Columbia between producers of feed grains and consumers in that province.

In respect to the federal government's feed grain assistance program we, as members of the Canadian Federation of Agriculture, support the policy of that organization.

Initially the emergency program by which freight assistance was given to eastern feeders in attempts to fulfill Canada's "bacon to Britain" commitments, was to encourage more hog production in eastern Canada. It assured markets for substantial quantities of grain, which we may have been unable to utilize in an expanded livestock program on the prairies due to labour shortages during the war and other economic difficulties.

Following the war years and until the middle and late 1950's we were expanding our livestock operations, and while our feeders would probably have benefited to some degree had the subsidy been removed, it was in these particular years that we were also building up surpluses of grain. In more recent years you will have noted increasing concern by eastern feeders to have the feed freight assistance policy made a permanent part of the federal government's agricultural policies, and that it be amended to provide assurance of more direct benefit to the users of the assisted grains.

Recent studies have indicated that the freight assistance policy in the past has tended to:

1. Stabilize the price of feed grains in eastern Canada, and
2. Assure adequate supplies of feed grains to meet the needs of feeders in eastern Canada and in British Columbia.

The program has also served to shift some forms of livestock production to areas which had less natural advantage than others, and it may also have supported the transportation industry to a degree by providing the volume of business which was involved.

We are, of course, more concerned with the future than with the past, and at this time it would appear that some re-evaluation of this matter may be timely within a relatively short time. With the opening of Asiatic markets for Canadian wheat in 1961 and since, the rather depressing market outlook of the early and middle 1950's has improved considerably. Based on world population growths, current sales, and rough market predictions, Canadian grain producers, we believe, may look forward in the long run to better market opportunities than we have known in the past. While we are hesitant to make any firm predictions in that regard, we have felt since 1961 that serious world food shortages, much less the risks of famine, may now no longer be politically tolerable. Should this

turn out to be reasonably true, it is conceivable that we shall enjoy better markets than we have known in the past.

Mr. Chairman, you and members of your Committee have recently returned from an inspection of facilities at the port of Vancouver. We hope that you found your tour of interest. In recent years the west coast ports have taken on considerable significance as a departure point for western grain. In the early years of the Alberta Wheat Pool, we were optimistic about those ports to the extent of building a large, modern terminal at Vancouver in 1927, and we further expanded these facilities in the middle 1950's. Our experience there has been both good and poor. The last deficit figures we recorded in our over-all operations were some substantial losses at the Vancouver terminal in 1936 and 1937 due to a very low volume of outward shipments. We have shipped as much as 63 million through our terminal there, and a low of 1 million in various years.

At the present time, however, the facilities at the west coast are of outstanding value to Canada in taking advantage of export markets. Ministers of Agriculture and Trade and Commerce, officials of the Canadian Wheat Board and Board of Grain Commissioners, the railways, and the farmers' grain handling organizations have been keenly interested for several years in utilizing the facilities to the best advantage. Saskatchewan Wheat Pool at the present time is constructing a new and modern terminal for that purpose. We understand also that the federal government is now proceeding with plans to enlarge and modernize the terminal at Prince Rupert. In view of the heavy cost of new construction of terminal facilities at this time, it appears that every effort should be made to make optimum use of the existing facilities. We have been favourable to this principle for some time, having included in our annual report of 1961 the following:

> In the same manner in which the pooling movement was utilized by prairie grain producers in the 1920's as a decided improvement over methods of the day, some additional modification and improvement in grain marketing must be continually pursued...
>
> The universal acceptance of quota deliveries by producers and the orderly procedures of the Canadian Wheat Board system of grain marketing question the need of increasing present day stocks of grain in country elevators. Given adequate waterfront terminal facilities and railway service, the ability of the Canadian Wheat Board to carry on an efficient marketing program would appear to be less dependent on large inventories of grain at sidings than has been the case in the past. The possibility of additional benefits to producers by further co-ordination of the various facilities and services involved in our present marketing system commends itself to the attention of our association.

The conditions of today, we believe, add additional weight to the considerations which we mentioned six years ago.

Canada has built up an enviable reputation as a reliable supplier of grains with a minimum of delay and disruption of its transportation and export facilities. The value of this reputation is too well known to need elaboration. Our association is most anxious to do its part to maintain this national asset.

We are pleased to have had this opportunity to meet with you and wish to assure your committee, Mr. Chairman, of our Association's support in matters of policy which you may have under consideration toward more efficient and successful grain marketing in Canada.

Thank you, Mr. Chairman.

The CHAIRMAN: Thank you, Mr. Malm. I have several names of members who wished to ask questions of the previous witness. They are, Mr. Schreyer, Mr. Crossman, Mr. Comtois, and Mr. Noble.

Mr. NOBLE: My question would not apply now.

Mr. MALM: Mr. Chairman, before we get into questioning may I say we have available a number of copies of last year's annual report and financial statement of the Alberta Wheat Pool and also a pamphlet that you may have, if you wish, when the meeting is over.

The CHAIRMAN: Fine, thank you. Mr. Schreyer, does your question pertain to anything that the Alberta Wheat Pool has said?

Mr. SCHREYER: I have just one question, Mr. Chairman. Mr. Malm, you make reference in your brief to a request which the pool has made on several occasions to the federal government asking them to consider the advisability of bringing the flax, rye and rapeseed marketing under the wheat board. Now, up until this point in time they have not seen fit to do this and I was wondering whether you could give us any indication of what thinking prompts the federal government to refuse or decline to give effect to this request?

Mr. MALM: Mr. Chairman—

Mr. SCHREYER: I realize it is a broad question but I would like to know your thinking on that.

Mr. MALM: I might say that initially, when oats and barley were brought under the wheat board in 1948-49, there was no particular request at that time for flax and rye to be brought under the operation of the wheat board. But, during the 1950's, when large surpluses appeared on the scene here, marketing became difficult. It become more evident all the time that marketing of flax, rye, and rapeseed by the individual was becoming more and more difficult, partly because of congested elevators and the producer's inability to sell when he wished. It also became evident to the producers at that time that the wheat board was doing a pretty good job to get an average price for wheat, oats and barley. Therefore, the farm organizations began asking that the Canadian Wheat Board Act be expanded to include these crops.

We took these matters to the Minister of Trade and Commerce and to the federal cabinet through CFA, requesting that this be done. Now, the answer has been that these are minor crops in comparison with wheat, oats and barley and they doubted very much whether the wheat board could have very much influence on world markets because of the minor quantity of the total world market of these crops that they would control. We have reiterated that we do not expect them to get the very top price. We feel that as a marketing organization, although they are minor crops, they could do a fairly good job. Inasmuch as it is

necessary for them to control quotas and, therefore, control deliveries of these crops, they are in a better position to call them forth when market conditions may appear to be satisfactory.

This is the premise that we have put forward for several years now and we have also had the answer that there were some producers who were not in favour of putting these crops under the wheat board. Now, to counteract that as of last May, we have suggested in our submission, or even asked, that a plebiscite be held on whether the producers of these crops really wanted them under the wheat board. We, as a farm organization—the Alberta Wheat Pool—are constantly being badgered by producers: Why do you not do something about this? We feel that a plebiscite is the proper method of settling this. This was what happened to oats and barley in 1948 and we feel this is the proper method to settle this question now. I hope I have answered your question.

Mr. SCHREYER: Thank you, Mr. Malm.

Mr. MCKINLEY: Along the same lines, Mr. Malm, I am wondering if there is any reluctance on the part of the wheat board to take on the extra chore of handling these other seeds?

Mr. MALM: We have put this question directly to the wheat board and they have said because of the minor nature of these crops and the small part of the world sales in oil seed crops this would be that they would not have any influence to speak of. But, they have said if they are required by the Canadian Wheat Board Act and by Parliament to market these crops, they can do it. That is the answer we have had.

Mr. SCHREYER: Mr. Chairman, just one follow-up question. I would ask what in your opinion is the major disadvantage of the present marketing structure with respect to these three crops?

Mr. MALM: Well, I would first probably have to say a little bit about the quota system. The quota system was initiated quite a number of years ago to enable farmers to get an equal share of deliveries. Now, I think you understand that we have to deliver our grain over the whole crop year.

The CHAIRMAN: Is this for all your grains.

Mr. MALM: This is for all our grains, yes. This is for several reasons. First of all, our elevator facilities could not handle it all and if they could our railways could not haul it all in a very short time. Therefore, the wheat board must regulate deliveries over the year as space becomes available in country elevators. In order to do that they must also regulate the deliveries of flax, rye and rapeseed, not only in the country elevators, but in the terminals as well, because they do not want to get the terminals congested with these grains where it may inhibit the sale or movement of wheat, particularly. This is another reason why we say that if it is necessary—and we agree it is necessary—to have quotas on these grains, then you should also be the handling or selling agent for them because then you can control the coming forward of these grains as they are required. I hope that answers your question.

Mr. SCHREYER: Mr. Chairman, one last question. Would it be a fair assumption that one of the groups that would, perhaps, oppose your request for bringing

these three crops under wheat board marketing be those who are involved with the future market? I take it they would not be particularly anxious to see this happen?

Mr. MALM: I think that assumption is correct. Really, I suppose, if this is taken away it would almost end it. Mind you, the Winnipeg market is used for more than just trading in futures today. Importers and exporters also are using the facilities of that market. I do not think they could live on flax, rye and rapeseed alone. I think they use it more for other purposes.

Mr. HORNER (*Acadia*): My questions are on the same line, Mr. Chairman. I have with me the agriculture committee report of June, 1966, when the wheat board dealt with this very question. They said, Mr. Malm, that Canadian oil seeds would be a small factor and would be an operation entirely different from wheat, oats and barley. If the operation did come under their control it would be an entirely different operation. They went on to state that in the wheat board's action with regard to wheat, oats and barley, they set the price, and are a price leader in the world because of the quality and the quantity of these products Canada produces. But with oil seeds, they would be a price follower, in a sense.

A statement made by Mr. McNamara in that committee report questions whether or not, being a price follower, they could really bring about any increase in revenue to the producer. Do you really think they could? Do you think an increased revenue to the producer would be derived by the wheat board taking oil seeds under their control?

Mr. MALM: I do not question Mr. McNamara's ability as the chief commissioner of the wheat board one bit. I do not doubt for a moment that they would be a minor factor on the oil seed market of the world. While it may be a somewhat different operation, because of the fact they still take the responsibility for the actual physical handling, in a way, until it reaches a terminal or a boat, and the general knowledge of marketing operations in the world-at-large which they must have, I am sure they can do better than I can as an individual farmer. We are not asking for the top price. We feel sure they could get a fair average price and this is what the farmer in western Canada has said all along: I do not care for this great big price or this price way down here. I want a fair average price. We feel, as farmers, that they could probably do a pretty fair job and I am sure we would be fairly satisfied.

Mr. HORNER (*Acadia*): As a wheat pool member, the Alberta wheat pool will handle my flax, rapeseed and rye if I deliver it to them, will they not? Have you not enough confidence in your ability to sell my product for me? Do you feel the need of a government agency to watch over you to make sure you get the best price for me as a member of your organization?

Mr. MALM: I will answer that by saying we fought for years to get the Canadian wheat board. We did not think we could do it alone.

Mr. HORNER (*Acadia*): I am not in anyway trying to discredit the Canadian wheat board, and I do accept Mr. McNamara's statement that while there was a plebiscite held for oats and barley, you asked for a plebiscite here today where the conditions are altogether different. The product is altogether different—and I

am just accepting Mr. McNamara's statement—and they would have to set up, as he suggests—not necessarily for rye, but for flax and rapeseed—an entirely different operation in order to handle it. I am saying, would it put more money in my pocket as a producer? That is all.

Mr. MALM: Mr. Chairman, I would like to have Mr. Harburn deal with that question. He is our sales and traffic manager and probably he could deal with the question in a little greater detail than I can.

Mr. J. S. HARBURN (*Manager, Sales and Traffic, Alberta Wheat Pool*): Gentlemen, I could not say that probably we would do a better job of selling than the wheat board would. I can only say that our experience has been fairly favourable in the existing markets. One difficulty we do run into is that the wheat board exerts very rigid control over the quotas and transportation of flax, rye and rapeseed, and in that way we have not got a free hand by any means. But, under the existing controls, I think our operation has been a favourable one.

Mr. HORNER (*Acadia*): What percentage of the oil seed market do you handle through your Pacific terminal? I am speaking of the percentage of the oil seed market that moves through the west coast?

Mr. HARBURN: We handle oil seeds for other organizations, the Saskatchewan Wheat Pool and a few others, and I would say roughly one-third of the flow would go through our terminal in Vancouver. I am just pulling that percentage out.

Mr. HORNER (*Acadia*): Let us use that percentage. In this brief you make a suggestion—and the wheat board does not accept your suggestion entirely—to do away with competition. I can see where competition should be done away with and a government board take over when the handling of a product is so small that, as the railroads say, you have no real demand at the marketplace. But you are handling one-third of the product going through the west coast which I would think would be quite a large amount of that product and you still feel that competition is not proving to be a keen enough factor in order for you to get the best price for the producer.

Mr. HARBURN: I would say probably we are getting the best price available in a competitive market. I would say that is about as far as we could go on it.

Mr. FORBES: Mr. Chairman, may I ask a supplementary question? Is there sufficient volume of flax and rape and rye to warrant putting this under the wheat board or forming a pool to market it? Now, I appreciate the brief you presented very much, and the past history of farmers' markets; you sure hit the point. I appreciate your efforts to avoid this disparity in price. This is what kills farmers all the time. But have we got sufficient volume to warrant asking the pool or the wheat board to enter into the marketing of this grain for us? I have no idea of the quantity we are producing. Possibly you have those figures for us?

Mr. MALM: The production of rapeseed is increasing, Mr. Chairman, and there is every indication, I believe, that rapeseed is going to increase considerably more in the future. Our production this past year—I am quoting a bit from memory—I believe is in the neighbourhood of 22 or 23 million bushels.

Mr. FORBES: In the province of Alberta?

Mr. MALM: No, no. I mean in western Canada. I am speaking for western Canada when I say, the wheat board's operation.

The CHAIRMAN: Mr. Horner, have you finished?

Mr. RAPP: We are speaking about rapeseed. Would the Canadian wheat board be in a position to find new markets for us? We have Japan and some other small countries now, but would the wheat board be in a position to go out and find these markets as, in the past, some of these private interests have discovered these markets? And is there enough volume now in Canada, as far as rapeseed is concerned, that we do not need to search for new markets anymore or establish new markets without having, perhaps, private enterprise go out in the world and find new markets? The only market we have at the present time is Japan and this is an established market. But, I think there are many other countries that could become markets, particularly when rapeseed oil and meal reach the same stage as a supplementary feed as soy bean meal and other products.

The CHAIRMAN: I should interject; I thought they told us at the Alberta Pacific Company yesterday that they were shipping rapeseed to Italy.

Mr. RAPP: Those are established markets, sir, but I am concerned about finding new markets for "rape" whenever—you are laughing, but we call it "rape" here; we do not call it rapeseed too often. We should be able to get an answer to the question of whether the Canadian wheat board will find some of the markets that could be found in the world.

Mr. MALM: I do not know whether I could answer that very clearly. I really do not know. But, I will say this: certainly, the Canadian wheat board, in the marketing of grain, do have a tremendous amount of statistical information and I would suppose that if they did handle these crops they would probably use some of the exporting firms in the business now as brokerage firms. I also feel they could probably do as well, or maybe a little better. Our main idea is to level out the price. Last year the price of rapeseed increased by about 60 cents a bushel for two or three weeks, but there were only a very few growers who got the advantage of that.

Mr. RAPP: I do not want to leave the impression that I am not interested in having it under the Canadian wheat board; certainly not. But, I would just like to know, for my satisfaction, whether the Canadian wheat board would be in a position to find new markets for us. Even if there are only 22 or 23 million bushels to be sold as was the case last year, will they find new markets besides the ones we have?

Mr. MALM: I would suggest, sir, that with the assistance of our trade commissioners in most countries—I think they work very closely with them—and other trade means, I am sure that if the Canadian wheat board took on the responsibility, judging from the efforts they made to hold the price of grain when the world was flooded with it, they would make as good an effort as anybody I know of, and I think the farmers of western Canada would trust them.

Mr. RAPP: I know in particular that when rapeseed was first introduced here it was in my area—the Tisdale area. This was where it was introduced but our

problem, to start with, was to find markets. It was more or less private enterprise like Gordon Ross and some others from Moose Jaw who found the markets for Canadian producers. I just wonder whether the Canadian wheat board could take over from some of these private marketing agents and establish a better, bigger market for us?

The CHAIRMAN: Could I sum this up? This was a supplementary that Mr. Rapp was on, but I think what he is trying to say is: the Canadian wheat board has established offices around the world and would they not have the contacts, when they are selling wheat, to meet many people who may be in the market for rapeseed.

Mr. RAPP: That is exactly what I want to know.

Mr. MALM: I think this is possible; I would expect so.

The CHAIRMAN: Has the wheat board, to your knowledge, Mr. Malm, ever received inquiries about rapeseed and referred them to your organization or any other organization selling rapeseed?

Mr. MALM: I would turn this over to Mr. Harburn. He may be closer to it; I really do not know.

Mr. HARBURN: We have various inquiries turned over to us from other organizations.

The CHAIRMAN: From the wheat board?

Mr. HARBURN: I think so, yes. In turn, we will turn inquiries for wheat over the them; we do that all the time. I think in that way there is a pretty free exchange of information. I think the wheat board, with the resources and contacts they have in different countries, and with the markets that are already established, could probably do a pretty job of merchandising rapeseed and flax. They could probably do it a lot better than we could.

Mr. MCKINLEY: Mr. Chairman, I would just like a little more information on this. How many companies would there be handling these three seeds at the present time? Is it a great number or is it just some of the pools?

Mr. MALM: I think Mr. Harburn, probably is more familiar with that end.

Mr. HARBURN: All the grain companies are suppliers of rapeseed, flax and rye, and they all have some established market outlets. You have to develop those.

Mr. MCKINLEY: It would be proper to say that one of the biggest advantages of having these under the wheat board would be to have the entire production in one hand so they would be able to sell them better because of volume?

Mr. HARBURN: That would be some advantage, yes.

Mr. MCKINLEY: I am wondering whether it would be more profitable for pools to handle these on the basis of the wheat board fees than it is selling the way they are at the present time? What I am trying to get is: Let us say we had a plebiscite—these pools are co-operatives or farmer-owned, are they not? —would it be an advantage to the pool under the wheat board fees, or would other people involved in those pools—say, people that produce wheat, barley and

oats and have nothing to do with these other seeds and do not want to have anything to do with them—be against this?

Mr. MALM: No they would not.

Mr. MCKINLEY: They would not?

Mr. MALM: As far as our operations are concerned—that is, the Alberta Wheat Pool—as a handling organization, looking back over our records. I do not think it would affect us one way or the other whether we did it on a handling basis or as an agent for the wheat board, or the way we are doing it now.

Mr. MCKINLEY: There would be no reason for producers of others grains not wanting it?

Mr. MALM: No.

Mr. OLSON: Mr. Malm, I wonder whether you could tell us whether your organization, the Alberta wheat pool, has given any consideration to what the new prices should be, minimums and maximums, under the international wheat agreement?

Mr. MALM: Well, Mr. Olson, we have discussed what we hope the minimums and maximums might be under a new wheat agreement. We have pretty well come up with the idea, taking the present price situation into consideration, that $2.50 would probably be a reasonable ceiling. The minimum would probably be raised in roughly the same ratio.

Mr. OLSON: Are these calculations based on what you think you could get in the international market or does it take into account the escalating costs of producing this wheat?

Mr. MALM: Certainly in suggesting these we are putting forth our case from the standpoint of increased cost of production. But, we are also taking into account the ability to pay of the countries we have to sell to. We also recognize that some of this wheat will probably have to be sent as food aid. Certainly we are not asking for exorbitant prices. We could go out and say we want $4 a bushel for it. This is not our policy, but we believe, taking everything into consideration at the present time, that it should be raised to at least $2.50 a bushel.

Mr. OLSON: Is it hoped this will be a three-year period, or for how long?

Mr. MALM: The pattern in the past, I think has been a three-year period. I do not think either the importing countries or the exporting countries would be happy to go for a longer period than that. Certainly we were very reluctant to go along with the last one-year extension to the international wheat agreement. We would not want to see another extension on the present basis.

Mr. OLSON: Mr. Chairman, I have one final question. Assuming the Canadian negotiators were successful in obtaining a maximum of $2.50 for three years, do your projections, in so far as producers' costs in 1970 are concerned, cover the costs of producing that wheat?

Mr. MALM: I am afraid I could not answer that question. Is inflation going to continue? I do not know. We are hoping not.

Mr. OLSON: I asked you the question, Mr. Malm, because I presumed that your organization had done some of these projections.

Mr. MALM: We have, in a way, but certainly not to try to assess what is going to be in effect three years from now, and I do not believe there is anybody in this country who could tell us. An increase of about 40 cents a bushel over what it is now would seem, from what we can see at the present time, a reasonable one. But I am sure if we asked for a ceiling of $3 a bushel it would be the best way to kill the international wheat agreement. You have to be reasonable.

The CHAIRMAN: Mr. Tucker?

Mr. TUCKER: Mr. Chairman, to follow up Mr. Rapp's supplementary, I would like to ask the Vice President whether the Canadian wheat board and the Department of Trade and Commerce have worked together in finding markets for the various products of flax, rye and rapeseed?

The CHAIRMAN: Do you want to know if they do?

Mr. TUCKER: If they work together, yes?

Mr. MALM: I do not know that they have yet. I am afraid I could not answer that question; I really do not know. Mr. Harburn may have some answer to that, but I could not tell you.

The CHAIRMAN: Before Mr. Harburn tries to answer I think we would certainly have an opportunity of asking the wheat board when we are in Winnipeg, Mr. Tucker.

Mr. TUCKER: Yes.

Mr. PETERS: If you have the oil seeds and rye under the wheat board, would this stabilize the price so there would not be highs and lows? In other words, would you expect the wheat board to set a forward price?

Mr. MALM: It would stabilize it to the producer but I would have to agree with the wheat board that as far as their trying to set the world price is concerned, they could not do it.

Mr. PETERS: No, I meant to the producer.

Mr. MALM: They would stabilize it to the producer.

Mr. PETERS: This might eliminate the situation of an increase of 30 cents for a two-week period with nobody selling.

Mr. MALM: I think it would have a stabilizing effect and all we would expect the wheat board to do would be to sell it to the best advantage possible. This is all they could do.

Mr. CLERMONT: Mr. Malm, in answer to Mr. Olson regarding a maximum for the price of wheat, you said your organization had studied the ability of the purchasing country to pay $2.50 per bushel. On what did you base your study?

Mr. MALM: On a very limited basis we have probably looked at some of the nations we do sell wheat to. We have also looked at some of the developing nations that could not buy wheat if it was half that price and we recognize that

some of our wheat is going to have to be used as food aid. But, we do not feel because we may have to supply food aid as a gift that the nations that are developed should have particularly cheap wheat. In fact, some of these nations have not expressed a real desire to have cheap wheat because they are looking upon us as a nation using some of their products. Therefore, they really have no desire, from what I can gather, to have wheat at rock-bottom prices. Some of the importing nations have also said they would expect the exporting countries to have an economy that would ensure their farmers producing the necessary wheat required for the nations of the world.

The CHAIRMAN: I want to ask one question myself, if I may. When we were in Vancouver we saw a lot of grain cleaning facilities and several of the members asked questions when they were in the elevators. One of the questions was: why would it not be more practical to clean the grain at the country elevator source rather than in the main ports, especially since some of the new country elevators being built are supposed to be more modern and up to a high standard, with better facilities and able to handle a larger quantity faster with more storage. Because of rail abandonment elevators are going to get bigger.

Mr. MALM: I will answer in part and probably these gentlemen would like to add to it because they are better informed. Certainly, when you begin to try to clean grain at the country points you have not only one cleaner, you have to have a bank of the various types of cleaners. For instance, a few years ago there were complaints of stones in the grain going to some place—I believe it was Japan—and so you have to have a de-stoner. Well, all these machines run into a tremendous amount of money and to put them in the smaller elevators in the country would be just out of the question. Would you gentlemen care to add anything to that idea?

Mr. Lloyd NOWLAN (*Operations Manager, Alberta Wheat Pool*): I think you are quite right, Mr. Malm, from an operational standpoint.

Mr. MALM: It would be too expensive altogether to do it in a smaller place.

The CHAIRMAN: On behalf of the Committee I want to thank the representatives of the Alberta wheat pool for presenting their brief and for ther attendance here today. The meeting is now adjourned to the call of the chair.

Appendix I

TABLE I

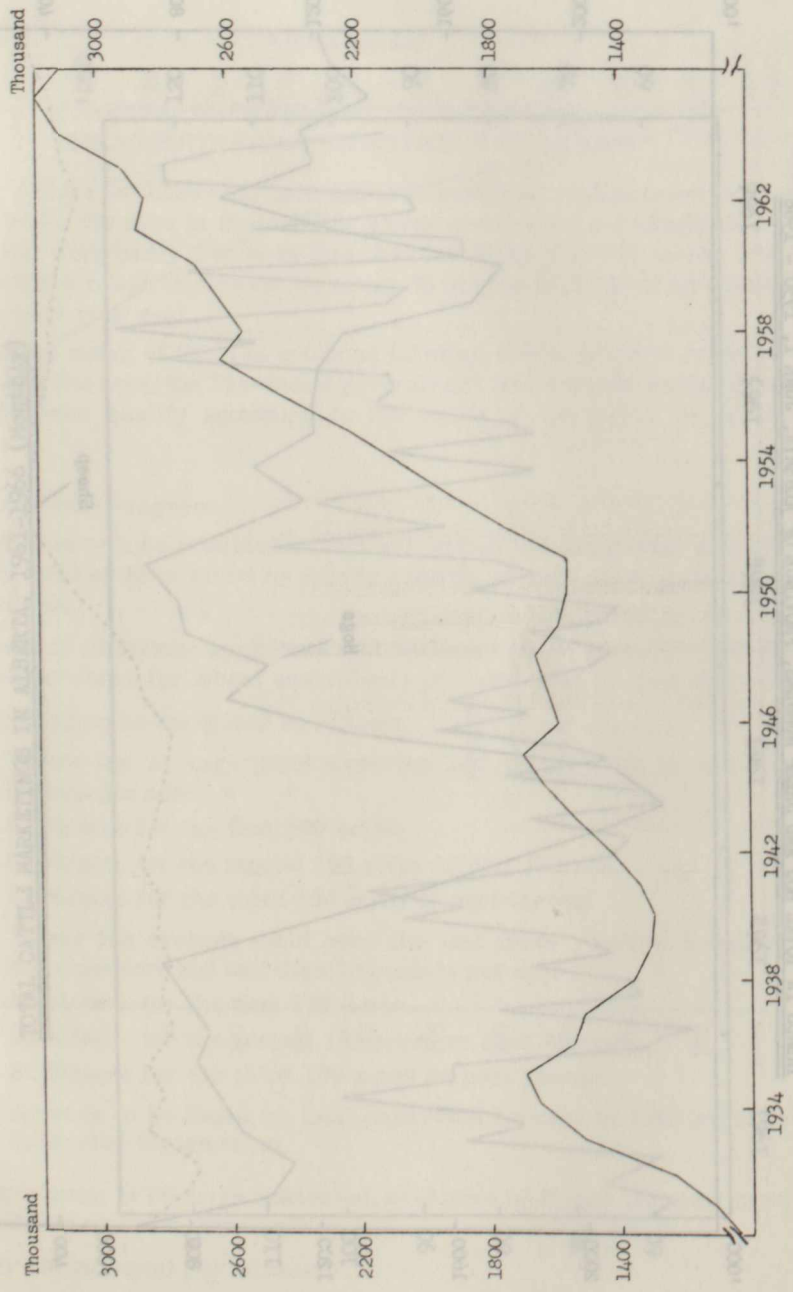
Final Wheat Board Payments on Wheat, Oats and Barley
1961-1962 through 1965-1966

	Wheat	Oats	Barley
	—cents per bushel—		
1965-1966	0.49	0.25	0.33
1964-1965	0.38	0.18	0.31
1963-1964	0.48	0.10	0.23
1962-1963	0.43	0.12	0.18
1961-1962	0.43	0.17	0.30
Average	0.44	0.16	0.27
High	0.49	0.25	0.33
Low	0.38	0.10	0.18

Appendix II

FIGURE I

TREND IN TOTAL CATTLE NUMBERS, PROVINCE OF ALBERTA, JUNE 1, 1930-1966



24805—4

FIGURE 2

TRENDS IN TOTAL HOG AND SHEEP NUMBERS, PROVINCE OF ALBERTA, JUNE 1, 1930 - 1966

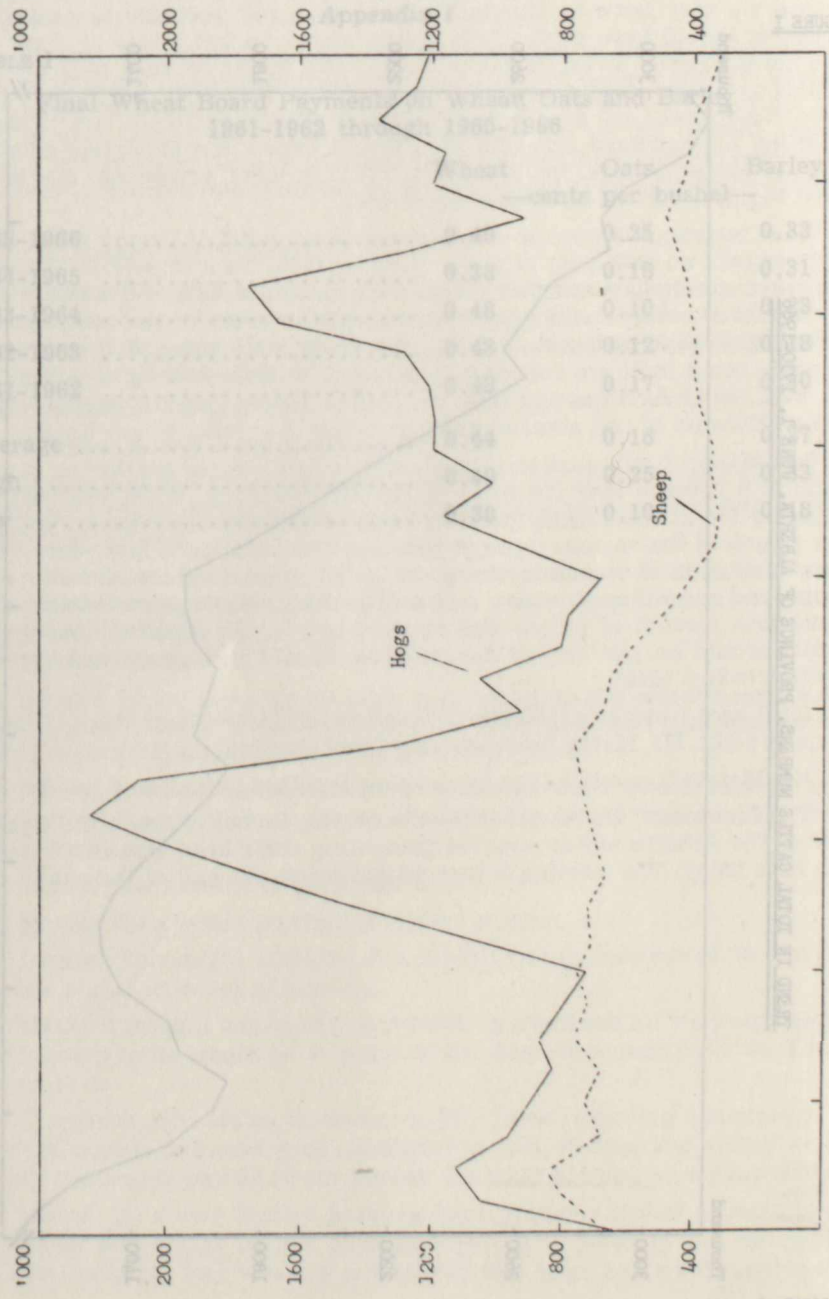


FIGURE 3

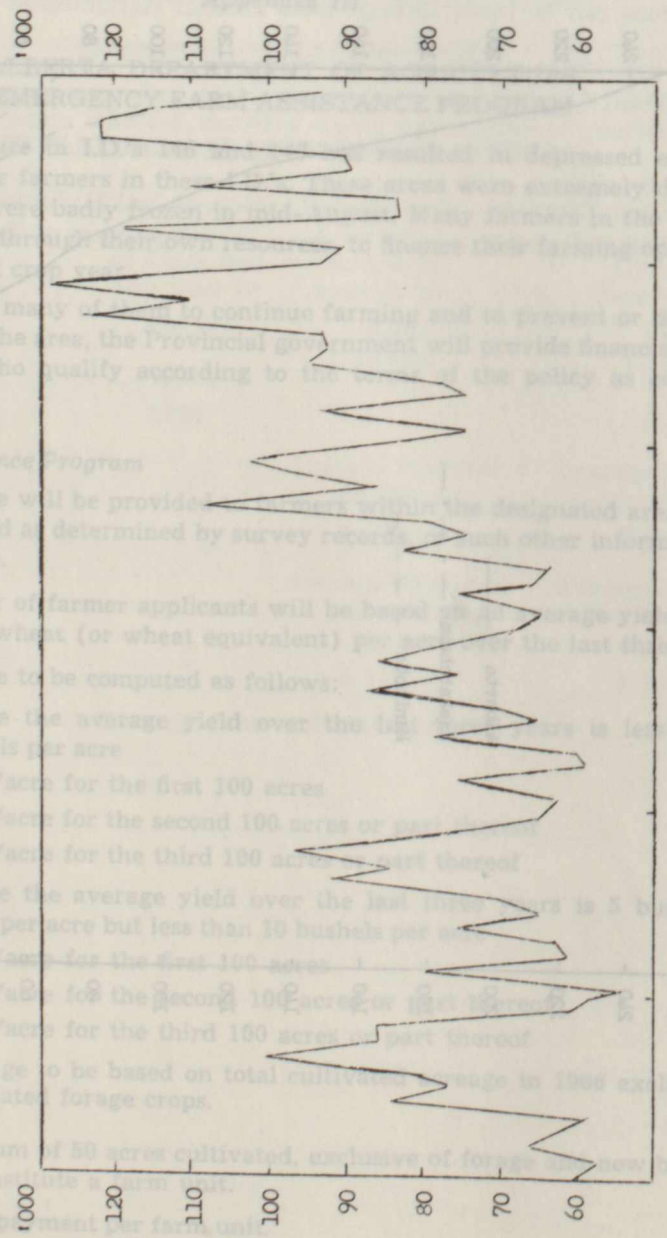
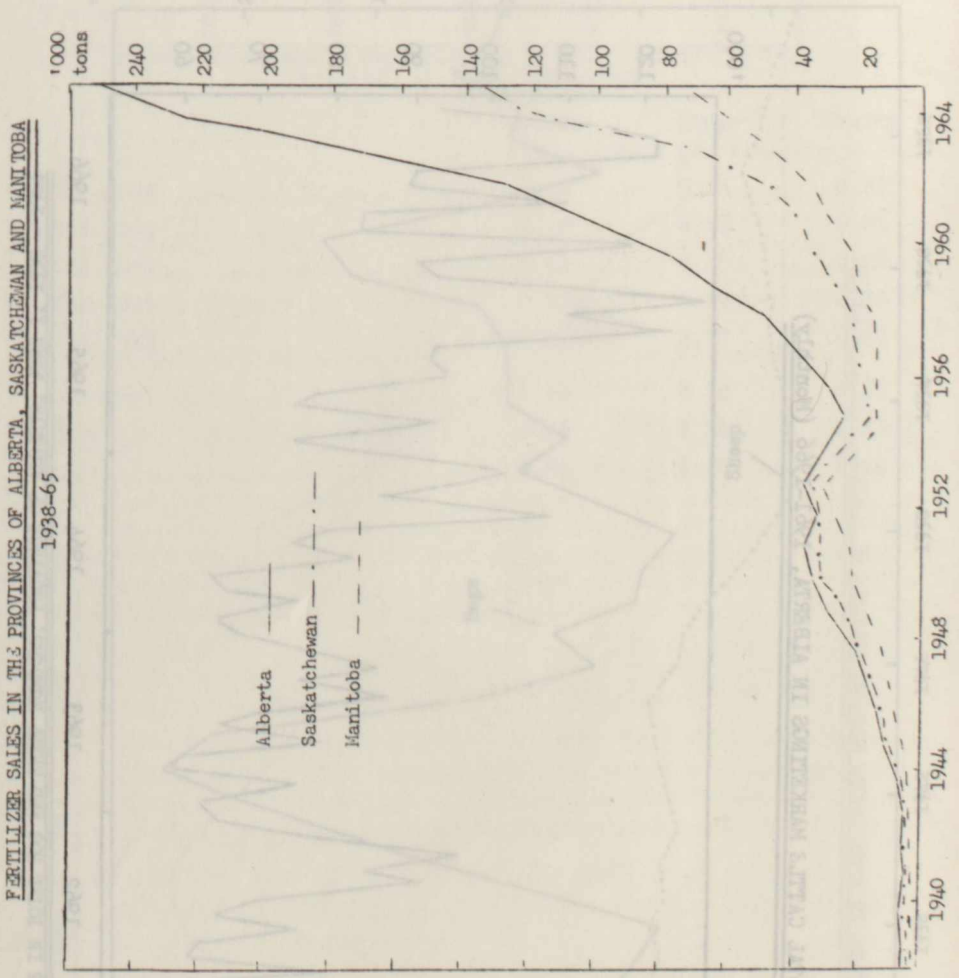

TOTAL CATTLE MARKETINGS IN ALBERTA, 1961-1966 (Monthly)
'000
120
110
100
90
80
70
60
1961
1962
1963
1964
1965
1966

FIGURE 4


FERTILIZER SALES IN THE PROVINCES OF ALBERTA, SASKATCHEWAN AND MANITOBA
1938-65
'000 tons
240
220
200
180
160
140
120
100
80
60
40
20
Alberta
Saskatchewan
Manitoba
1940
1944
1948
1952
1956
1960
1964

Appendix III

ALBERTA DEPARTMENT OF AGRICULTURE EMERGENCY FARM ASSISTANCE PROGRAM

A crop failure in I.D.'s 146 and 147 has resulted in depressed economic circumstances for farmers in these I.D.'s. These areas were extremely dry until early July and were badly frozen in mid-August. Many farmers in the affected area are unable, through their own resources, to finance their farming operations through the next crop year.

In order for many of them to continue farming and to prevent or delay the development of the area, the Provincial government will provide financial assistance to those who qualify according to the terms of the policy as contained herein.

Terms of Assistance Program

1. Assistance will be provided to farmers within the designated area on the basis of crop yield as determined by survey records, or such other information as may be available.

2. Eligibility of farmer applicants will be based on an average yield of less than 10 bushels wheat (or wheat equivalent) per acre over the last three years.

3. Assistance to be computed as follows:

(a) Where the average yield over the last three years is less than 5 bushels per acre

$3.00/acre for the first 100 acres

$2.50/acre for the second 100 acres or part thereof

$2.00/acre for the third 100 acres or part thereof

(b) Where the average yield over the last three years is 5 bushels or more per acre but less than 10 bushels per acre

$2.50/acre for the first 100 acres

$2.00/acre for the second 100 acres or part thereof

$1.50/acre for the third 100 acres or part thereof

(c) Acreage to be based on total cultivated acreage in 1966 exclusive of cultivated forage crops.

4. A minimum of 50 acres cultivated, exclusive of forage and new breaking in 1966 shall constitute a farm unit.

5. Only one payment per farm unit.

6. Income from all sources may be a determining factor in evaluating applications.

Applications can be made through local District Agriculturist.

January 6th, 1967
EDMONTON, Alberta

ALBERTA DEPARTMENT OF AGRICULTURE

A. M. Wilson, Director
Plant Industry Division

O. G. Bratvold, P. Ag.
Supervisor of Crop Improvement

Appendix IV

ALBERTA DEPARTMENT OF AGRICULTURE

Summary of Crop Assistance 1966

Assistance Payments according to yield under 10 and under 5 bus. per acre averaged for the years 1963-4-5, showing claims and number of quarter sections in each payment bracket.

Total Payments under 5 bus.	Total Payment on yields of 5 bus. and less than 10	Payments on ¼ sections on yields under 5 bus.	Payments on ¼ sections on yields 5 bus. and less than 10
$870,229	1,424,097	6,096	9,178
		¼ section	¼ section
Claims	Claims		
1,647	2,824	—	—
		Average Payment per Claim	Average Payment per Claim
		$ 528.31	$ 504.22
		Average Payment per quarter section	Average Payment per quarter section
		$ 142.75	$ 155.16

Average farm unit 555 acres.

OFFICIAL REPORT OF MINUTES

OF

PROCEEDINGS AND EVIDENCE

This edition contains the English deliberations and/or a translation into English of the French.

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Translated by the General Bureau for Translation, Secretary of State.

LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-67

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 29

WEDNESDAY, FEBRUARY 8, 1967

Respecting

The Annual and Supplementary Reports of the
CANADIAN WHEAT BOARD
for the Crop Years 1962-63, 1963-64, 1964-65

WITNESSES:

From the Saskatchewan Department of Agriculture: Hon. D. T. McFarlane, Minister; Mr. H. Horner, Deputy Minister; Mr. J. A. Brown, Director, Economics Branch. *From the Saskatchewan Wheat Pool:* Mr. E. K. Turner, First Vice President; Mr. R. H. Phillips, Director of Research. *From the City of Moose Jaw:* His Worship, Mayor L. H. Lewry. *From PFRA:* Mr. M. J. Fitzgerald, Director; Mr. W. B. Thompson, Assistant Chief Engineer. *From the C.C.F. Party of Saskatchewan:* Messrs. J. H. Brockelbank, I. C. Nollet, and E. I. Kramer. *From the National Farmers Union:* Mr. Roy Atkinson, President; Mr. S. A. Thiesson, Secretary-Treasurer.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

25800—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman; Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Cadieu (*Meadow Lake*),
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Côté (*Nicolet-Yamaska*),
Mr. Crossman,
Mr. Danforth,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Gundlock,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*)
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. Madill,
Mr. McKinley,
Mr. Moore (*Westaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

WEDNESDAY, February 8, 1967.
(39)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 2.20 o'clock p.m. in the Oak Room of the Hotel Saskatchewan, in the city of Regina, the Province of Saskatchewan. The Chairman, Mr. Whelan, presiding.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Berger, Cadieu (*Meadow Lake*), Clermont, Comtois, Côté (*Nicolet-Yamaska*), Crossman, Danforth, Forbes, Gauthier, Gendron, Godin, Grills, Gundlock, Hopkins, Horner (*Acadia*), Johnston, Jorgenson, Laverdière, Lefebvre, Madill, McKinley, Moore (*Wetaskiwin*), Muir (*Lisgar*), Neveu, Noble, Nowlan, Olson, Peters, Rapp, Ricard, Schreyer, Stafford, Stefanson, Tucker, Watson (*Assiniboia*), Whelan, Yanakis (38).

In attendance: From Saskatchewan Department of Agriculture: The Honourable D. T. McFarlane, Minister of Agriculture; Mr. Harold Horner, Deputy Minister; Mr. J. A. Brown, Director, Economic Division.

From the Saskatchewan Wheat Pool: Mr. E. K. Turner, First Vice President; Mr. R. H. Phillips, Director, Research Department; Mr. W. J. Ball, Manager, Country and Terminal Elevator Division; Mr. J. O. Wright, Secretary.

From the City of Moose Jaw: His Worship, Mayor Louis H. Lewry.

After calling the meeting to order, the Chairman made an opening statement during which he pointed out that committees are portions of the House of Commons and that this was a regular Committee meeting at which the same rules and procedure as are followed in Ottawa would apply.

The Committee resumed consideration of the Annual and Supplementary Reports of the Canadian Wheat Board for the crop years 1962-63, 1963-64, 1964-65.

The Chairman called the first witness, the Honourable D. T. McFarlane, Saskatchewan Minister of Agriculture. Mr. McFarlane introduced the officials with him and then made his presentation to the Committee. At the conclusion of the Minister's statement, members of the Committee proceeded to question him. On completion of the questioning of the witness, the Chairman and members of the Committee congratulated and thanked him for his lucid presentation.

The Chairman then adjourned the meeting for five minutes. Five minutes later the meeting came to order and the Chairman called the witnesses from the Saskatchewan Wheat Pool. Mr. E. K. Turner was introduced by the Chairman and in turn introduced the officials with him.

25800—1½

Agreed,—That Mr. Turner summarize the brief of the Saskatchewan Wheat Pool and that it be printed as an appendix to the Minutes of Proceedings and Evidence, (*See Appendix I*).

After making their presentation, the officials of the Saskatchewan Wheat Pool were congratulated and members of the Committee proceeded to question them.

Agreed,—That the following be made appendices of the Minutes of Proceedings and Evidence:

A memorandum of April 1964, prepared by Saskatchewan Wheat Pool for presentation to the Canadian Tariffs and Trade Committee in connection with the 1964 GATT negotiations,' (*See Appendix II*).

A memorandum of May 1966, on questions of grain marketing raised by Canadian Co-operative Wheat Producers Limited representing the Wheat Pools of Alberta, Manitoba and Saskatchewan, (*See Appendix III*).

Memorandum of May 1966, to the Government of Canada concerning the extension of Canadian Wheat Board jurisdiction to the marketing of Rye, Flax and Rapeseed presented by Western Agricultural Conference of the Canadian Federation of Agriculture, (*See Appendix IV*).

Submission of May 1966, to the St. Lawrence Seaway Authority on the question of Seaway Tolls and Fees by Canadian Co-operative Wheat Producers Limited representing Alberta Wheat Pool, Manitoba Pool Elevators, and Saskatchewan Wheat Pool, (*See Appendix V*).

Statement of February 1967, with respect to the Canada Labour (Standards) Code—As it applies to the operation of country grain elevators prepared especially for Committee members by Saskatchewan Wheat Pool, (*See Appendix VI*).

Agreed,—That statement of October 1966 to the House of Commons Standing Committee on Transport and Communications on matters concerning Bill C-231 by Canadian Co-operative Wheat Producers Limited representing Alberta Wheat Pool, Manitoba Pool Elevators and Saskatchewan Wheat Pool, be made an exhibit (*See Exhibit I*).

Later, on completion of the questioning, the Chairman thanked the witnesses and they were excused.

His Worship Mayor L. H. Lewry was called and after being introduced, read his submission. Members of the Committee questioned His Worship upon the completion of his presentation.

Later, when the questioning of the witnesses was finished, the Chairman thanked the witness and he was excused.

At 5.55 o'clock p.m., the Chairman adjourned the Committee until 8.00 o'clock p.m. later this day.

EVENING SITTING
(40)

The Standing Committee on Agriculture, Forestry and Rural Development reconvened at 8.20 o'clock p.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Berger, Cadieu (*Meadow Lake*), Clermont, Comtois, Coté (*Nicolet-Yamaska*), Crossman, Danforth, Forbes, Gauthier, Gendron, Godin, Grills, Gundlock, Hopkins, Horner (*Acadia*), Johnston, Jorgenson, Laverdière, Lefebvre, Madill, McKinley, Moore (*Wetaskiwin*), Muir (*Lisgar*), Neveu, Noble, Nowlan, Olson, Peters, Rapp, Ricard, Schreyer, Stafford, Stefanson, Tucker, Watson (*Assiniboia*), Whelan, Yanakis (38).

In attendance: From Prairie Farm Rehabilitation Administration (P.F.R.A.); Mr. M. J. Fitzgerald, Director; Mr. W. B. Thompson, Assistant Chief Engineer; Mr. W. M. Berry, Chief Design Engineer.

From the C.C.F. party of Saskatchewan; Mr. J. H. Brockelbank, M.L.A. Kelsey; Mr. I. C. Nollet, M.L.A., Cutknife; and Mr. E. I. Kramer, M.L.A., The Battlefords.

From the National Farmers Union; Mr. Roy Atkinson, President; Mr. Stuart A. Thiesson, Secretary Treasurer.

The Committee resumed consideration of the Annual and Supplementary Reports of the Canadian Wheat Board for the crop years 1962-63, 1963-64, 1964-65.

The Chairman called Mr. Fitzgerald who introduced the officials with him.

The following documents, published by P.F.R.A. were distributed to the members of the Committee.

1. Saskatchewan, South East Water Supply System—What is SSEWS?
2. Harnessing The South Saskatchewan.
3. Progress of Construction, South Saskatchewan River Dam.
4. A map showing the main features of proposed water distribution system.
5. Five photographs showing various facets of the construction of the South Sakatchewan River Dams.
6. Statement for the information of the Committee prepared by P.F.R.A. outlining various P.F.R.A. programs.

Mr. Thompson, with the aid of slides proceeded to brief the Committee on the South Saskatchewan River Development Project.

At the conclusion of his briefing the Committee proceeded to question the officials of P.F.R.A.

Later, Mr. Fitzgerald and his colleagues were excused.

The Chairman then called the representatives of the Saskatchewan C.C.F. party. Mr. Brockelbank introduced himself and his colleagues and Mr. Nollet proceeded to read his brief.

Later, at the suggestion of Mr. Horner (*Acadia*), it was

Agreed,—That Mr. Nollet would read his brief to page eleven, and that the entire brief be printed as an appendix to the Minutes of Proceedings and Evidence (*See Appendix VII*).

The Committee, upon conclusion of Mr. Nollet's oral presentation, proceeded to question the witnesses.

Mr. Cadieu (*Meadow Lake*) suggested, and it was

Agreed,—That the brief "Forestry in Saskatchewan", prepared by Messrs. Brockelbank and Kramer be made an appendix to the Minutes of Proceedings and Evidence (*See Appendix VIII*).

The witnesses were then excused.

The Chairman next called the officials of the National Farmers Union and asked Mr. Atkinson to introduce his colleague. Mr. Atkinson then read his submission to the Committee and was questioned by the members of the Committee.

Agreed,—That the brief of the National Farmers Union be appended to the Minutes of Proceedings and Evidence (*See Appendix IX*).

At 11.55 o'clock p.m., there being no further questions, the Chairman thanked the witnesses and after excusing them, adjourned the Committee to the call of the Chair.

Michael B. Kirby,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

WEDNESDAY, February 8, 1967.

Regina, Saskatchewan

The CHAIRMAN: I would like to remind those present in the public section that the Standing Committees are portions of the House of Commons and that this is a regular meeting of the Standing Committee on Agriculture, Forestry and Rural Development. The ordinary rules of procedure which are followed at committee meetings in Ottawa will be followed here.

By order of the House of Commons made on Thursday, June 6, 1966 the annual and supplementary reports of the Canadian Wheat Board for the crop years 1962-63, 1963-64, 1964-65 were referred to this Committee for consideration and study.

I would like to say at this time I am sure I speak for all Committee members here present that we are happy to be in Saskatchewan and know that the Committee will benefit greatly from its presence here.

Many members are from Saskatchewan, whether they be government members or otherwise. You may wonder at the size of this committee but agriculture is the largest Committee in the House of Commons with a make-up of 45 members. This was actually cut down in size from what it used to be when it was 60 members.

We are here to study the operations and functions of the Wheat Board and are instructed to report back to the House. Without any further ado, our first witness today is the Hon. Douglas McFarlane, the Minister of Agriculture for the province of Saskatchewan. I will ask the Minister to introduce his officials and proceed with his brief at this time.

Hon. D. T. MCFARLANE (*Minister of Agriculture, Saskatchewan*): Thank you very much, Mr. Chairman. For the convenience of the members of the Committee, I thought it would be quite fitting to have with us this afternoon our Deputy Minister of Agriculture, Mr. Harold Horner on my left and the Director of our Economics and Statistics branch, Mr. Jake Brown. I believe, Mr. Chairman, it is quite appropriate to sit down?

The CHAIRMAN: It is quite in order.

Mr. MCFARLANE: I do want, at this time, to welcome the members of the House of Commons Committee on agriculture, forestry and rural development and to welcome you to our beautiful province of Saskatchewan.

Not only are we renowned for the amount and quality of wheat we produce in this province but I would remind my friends from Ottawa that we are the home of the two Grey Cups, the big Grey Cup and the little Grey Cup. So next year when we have time off after harvesting we hope to be in a position to go

back down to Ottawa and retain the Grey Cup. On that occasion I hope to see you all again.

Mr. Chairman, I appreciate this opportunity to inform the committee of several things about agriculture in Saskatchewan.

Agriculture is still the largest industry in our province.

Approximately $4.5 billion of capital is used by the farmers of this province in the form of land, buildings, machinery, livestock and poultry.

There are approximately 135,000 workers employed in agriculture and about 50 per cent of the gross and net value of commodity production in the province is produced by agriculture. When I say 135,000 farm workers these are figures in the economic review that includes the operator of the farm, his family and in some cases hired help.

Because of the fact that many of our service, trade and manufacturing industries are based on the needs of farmers, a large part of our economy is dependent upon a healthy agriculture.

Our agricultural base consists of the following estimates and I point out estimates for 1966:

Area in farms in Saskatchewan comprise	65,000,000 acres
Improved acreages	44,400,000 acres
Cattle population according to our June estimates	2,253,000
Hog population according to our June estimates	428,000
Number of farms according to our 1966 estimates	84,500
Number of commercial farms, roughly	80,000

Production in 1966:

	Acres		*Bushels*
Wheat our farmers sowed	19,700,000	producing	546,000,000

an average yield of 27.7 bushels per acre which was an all-time record for both production and average yield.

Oats as grain	1,790,000	producing	91,000,000
Barley	2,200,000		94,000,000

which again this year established a highest average yield per acre.

Flaxseed	475,000	produced	6,700,000
Rapeseed	620,000	produced	12,400,000

The highest volume on record.

Now we go into marketings for 1966:

Hogs, we marketed	466,360 head
Cattle	702,718 head
Calves	272,508 head
Sheep	42,494 head

Changes during the last 15 years are quite significant. The number of census farms, these are farms according to the census returns, 1951, 112,018. These had decreased to 93,924 by 1961 and our estimate in 1966 is 84,500 which I mentioned earlier.

Another significant change is in the size of the farm. In 1951 the average was 550 acres. By 1961 this figure had increased to 686 acres and our estimate as of last year was 769 acres per farm.

The number of cattle in 1951 was 1,200,000—I will just give it to you in round figures. In 1961, 2,100,000 and in 1966, 2,253,000 head, the highest on record for the province. The number of milk cows, 316,200 in 1951, down to 241,100 in 1961 and a further drop to 160,000 in our 1966 estimate. The number of hogs amounted to 533,300 in 1951; 640,800 in 1961 and 428,000 in 1966.

The average commercial farm in Saskatchewan in our Farm Management Clubs, of which we have about 120 clubs, comprising about 2,000 members in 1966 was made up as follows:

Land 1,100 acres (870 cultivated)

Total farm investment controlled by the members of these clubs was about $80,000. The average labour force of 1.4 man equivalents. This includes again the operator, family and hired help, if any. I might point out there was practically no hired help.

Cash operating costs and depreciation per cultivated acre amounted to $12. Machinery investment on these farms the average was $17,300.

Land values have been rising rapidly in our province. During the last 50 years at a compound rate of 1.4 per cent or by a simple rate it would be the equivalent of about 300 per cent. During the last 26 years at a compound rate of about 6 per cent. During the last 4 years at a compound rate of about 15 per cent. In 1965 the average value per acre for land in farms, including buildings, was $66. In 1966 we are expecting it will be at least $75 per acre. In some districts the increases are even more dramatic. For those of you who are acquainted with our province, the western part of the province, for example in the area of Cabri to Leader, prices of $120 to $150 per acre are not uncommon, compared to prices at about one-third this level in the late 1940's. The same is true of the Regina heavy clay area and some of you passed over that this morning.

Good Melfort soils further to the North of us here, perhaps our most productive, are now changing ownership at around $200 per acre.

For the sellers of land the high land values are good.

For beginning farmers, or those wishing to expand, these prices are posing a real problem in many cases, and for those relying on credit there is an increasing vulnerability to adverse economic or production developments.

Some of our concern—Saskatchewan is highly dependent on agriculture, and within agriculture, highly dependent upon wheat.

In a year like 1966 about 80% of our production is from field crops and of this about 80% is in the form of wheat.

Therefore, the province and its farmers are highly vulnerable to crop losses.

A more normal yield of wheat in the neighbourhood of 16 bushels per acre which has been our long-time average would mean at least 200 million bushels of wheat less than we harvested last year. This would mean about $350,000,000 less to Saskatchewan farmers. The impact on our whole economy would be a severe cutback in activity. That, of course is business activity. If we compare the

value of agricultural production in 1966 with a drought year such as we experienced in 1961 we see the problem:

For instance, 1966 estimated field crops brought us in $1,188,425,000; livestock, $359,900,000 for a total of $1,548,325,000. Whereas, in 1961 field crops only brought in $319,333,000; livestock only $311,499,000 for a total of $630,832,000. The difference is a really significant figure of $917,493,000.

I think we can best qualify this by indicating to you once again that as far as Saskatchewan is concerned, and as far as the farmers of Saskatchewan are concerned, wheat is king.

To get back to a statement which is quite in the fore in our province lately, we at the moment are a have province but with a record such as this we could be a have-not province.

A difference of $917,493,000 would seriously affect practically every sector of our entire economy.

Inflation is causing a serious problem for our farmers, especially because they have become so heavily dependent on purchased inputs needed for production.

When farmers were more self-sufficient such as in the 1930's or early 40's inflation was usually welcome. Now they get caught in a squeeze of fairly stable product prices and rising costs.

The problem is evident if we express the price of wheat in terms of constant dollars. In expressing it in terms of constant dollars we like to use the period 1935 to 1939.

Deflating current prices received by farmers for wheat by the national wholesale price index, we note the following: In 1966 the estimate, in current dollars, was $1.75 compared to 69 cents in constant dollars.

1965	1.70	compared to	.68
1964	1.60	compared to	.65
1963	1.75	as against	.72
1962	1.67	as against	.70
1961	1.75	as against	.75
1960	1.58	as against	.68
1955	1.38	as against	.63
1945	1.64	as against	1.24
1935	.60	as against	.64

The significant factor in the table is that from 1945 the price of $1.64 to the present year of 1966 we have only had an increase of 11 cents per bushel in the price of wheat, in terms of constant dollars.

These figures show then that in constant dollars the price of wheat has not changed very much from 1935, whereas the costs of inputs are now about three times their 1935 level.

Increased production and higher levels of efficiency have made it possible for many to survive this type of squeeze.

I would note here that in the four years 1961-1964 analysis of farm management clug members' farms show an increase in cash operating and deprecia-

tion costs of $2.08 per cultivated acre, an average of 50 cents per year, almost $1.00 an acre per seeded acre as nearly half our land in this province is customarily summerfallowed.

A series of good crops, including and since 1962, has concealed this effect.

However, you will appreciate our concern that higher grain prices are necessary if our medium-sized farms are not to experience serious income problems in years of average or below-average yields.

There is a great disparity of income between farms of various sizes, and the difference between our large and small farms is widening.

In the 1961 census about 1/3 of our farms sold over $5,000 worth of products and about 1/3 sold less than $2,500 worth or half the amount.

So you can see the gap is a wide one, and with many of our large farms rapidly getting larger we feel the gap also is growing.

Our mono-culture centered on wheat is partly a result of our limited alternatives.

We cannot produce corn or similar crops, the market for rye and flax is declining, and oats and barley are having trouble competing with wheat in terms of profitability.

In livestock we face the dual problem of not having a local market, and having a long costly haul to the concentrated markets in Eastern Canada. Notable differences, of course, are in hog prices where we have a difference of three cents per pound in hogs between Saskatoon and Toronto which would net about $4.50 per hog.

Our livestock producers have to absorb these high freight costs, and this means that enterprises become unprofitable sooner here than they do in Eastern Canada, unless we have a surplus of cheap feed available. In this case the loss is shifted to grain producers.

Saskatchewan is still predominantly a primary producing area—agriculture, petroleum, forestry, potash and such, etc...

As such, it is increasingly vulnerable to higher costs of services such as freight and transportation.

The primary producer often cannot pass increased costs on to the next user so must absorb such costs themselves.

Thus we are extremely concerned when we hear of pending freight-rate increases, high wage settlements in industries manufacturing machinery for our productive processes, and so on.

Other briefs will undoubtedly add detail; but here we would emphasize our continuing interest and our concern in railway branch line abandonment.

We recognize that some rationalization is necessary, but we would stress that only very few lines can be abandoned without seriously affecting the cost of marketing to producers—not to mention the effect in small urban communities dependent upon these lines.

In general, however, gentlemen we are optimistic about Saskatchewan's future.

We mention the above mainly to let you know that to quite an extent our welfare depends on what happens in the rest of Canada. Also, we do this so the

rest of Canada will understand some of the handicaps of an inland area such as our province of Saskatchewan.

Now, Mr. Chairman, and gentlemen, it has been a pleasure to tell you a few things about our economy and the role of agriculture in it. I have only attempted to touch the highlights as I know you have an extremely crowded schedule. May I again say how much we appreciated your coming to Saskatchewan to learn firsthand of factors affecting our basic industry.

Thank you very much Mr. Chairman and gentlemen.

The CHAIRMAN: Thank you Mr. Minister. We have a list of members of the Committee who are desirous of asking questions. First of all, Mr. Jorgenson from Manitoba.

Mr. JORGENSON: Mr. Chairman, may I at the outset congratulate Mr. MacFarlane on the presentation he made to us here this afternoon, which contains a lot of valuable information for the committee.

He has made it extremely difficult for us, however, to question him because he has not really asked for anything and we are accustomed to having people request assistance of some form or another. I suppose the only thing he could have done to make it more difficult would have been to have Ron Lancaster present the brief.

But, I would like to ask a few questions relating to some of the information contained in this brief. I notice on page 2, in paragraph (b) you mention that last year you produced 91 million bushels of oats as grain. How does this compare with 10 years ago, has production gone up or down?

Mr. MCFARLANE: I think last year the production was down due to greater mechanization in the province and because of the demand for wheat. Oats would be down about one and half million acres roughly.

Mr. JORGENSON: In the province of Saskatchewan how do oats and barley compare on an income per acre basis with wheat?

Mr. MCFARLANE: I would say, on an income basis per acre with wheat it would not be quite as good because of the climatic and soil conditions in the province.

The farmers in Saskatchewan feel that, by and large, they are assured of a better return from wheat if conditions are dry and you would have a larger acreage in oats and barley disposing of the wheat we are growing. The farmers then, would probably try and market some of their coarse grains through livestock.

Now, this coming year it is hard to determine what the farmers will decide as far as their seeding plans are concerned.

I would feel that because of what appears to be an unlimited market for wheat during the next year or two, that farmers would be inclined to put by far the largest acreage into wheat rather than into oats or barley.

Mr. JORGENSON: Is there a possibility, then, if this trend continues, if the market for wheat continues that you may not be able to be self-sufficient in coarse grains production?

Mr. McFARLANE: Well the big factor there is that our farmers are very hard-headed businessmen. They like to sharpen a pencil. If the price of oats and the price of barley becomes favourable and then, with new varieties of barley such as we had in the province this last year or two, there may be a tendency then to increase barley acreage. Oats would be mostly in this province, unless some favourable markets come up in the future, would be mostly used for feed production in the areas that are in livestock.

Mr. JORGENSON: What percentage of the coarse grains that are grown within the province of Saskatchewan now are exported in interprovincial trade?

Mr. McFARLANE: The closest estimate we could probably come up with at the moment would be roughly 25 to 33-1/3 per cent.

Mr. JORGENSON: It does not leave a very large margin for export. If the current trend continues could you foresee the possibility that you would not be in a position to supply the eastern demand for coarse grains?

Mr. McFARLANE: Once again, that would be a matter of price and this would be determined also, I would think, by the attitude of the eastern farmers with regard to the price of the corn they will grow down there and the yield they will get from corn and then the ratio of barley versus corn.

Mr. JORGENSON: Mr. Chairman, I do not want to monopolize the time of the committee. I have a number of questions but I will limit myself to one more.

My next questions deals with paragraph (b) on page 3. You mention a number of milk cows and I note here that the number of milk cows in the province of Saskatchewan has been steadily declining from 316,200 to 160,000 in 1966. Are you self-sufficient in dairy production in this province?

Mr. McFARLANE: I think the day is coming when, unless there is an increase in the amount of our dairy farmers in Saskatchewan, we could have a problem and we would not be self-sufficient.

Mr. JORGENSON: That is all I have now, Mr. Chairman.

Mr. DANFORTH: Mr. Chairman, I would like to add my words of commendation for this brief which will give members of the committee a lot of very necessary and concise background information. I would just like to dwell on one point, Mr. Chairman. I would like to ask Mr. McFarlane about the reference in the brief to the tremendous emphasis on one crop, namely, wheat and efforts being taken to diversify. I note the drop in milk cows and only a small increase in beef cattle and a drop in the production of hogs. Could I inquire as to what steps the government is taking in order to surmount this difficulty that we always experience with a one-crop economy.

Mr. McFARLANE: As we pointed out earlier in our brief, we indicated to you the number of acres in total in the province and the number of acres under cultivation in the province and we decided, because of the climatic factors the livestock producers in Saskatchewan have to contend with—We have had experience in previous years when trying to build up our livestock herd numbers of having a drought like we had in 1961 and having to bring in feed from other provinces—one of things that we decided would have to be done in order

to sustain our farmers investment in livestock would be to set up community pastures throughout the province.

We will have, as far as the Department of Agriculture in the province is concerned, very close to 50 of these community pastures in operation by next summer which would handle about 70,000 mature animals plus calves. At the same time we are trying to emphasize winter feed supplies.

Therefore, we are trying to encourage our farmers to put up a supply of feed that would last over a period of two winters, supposing we had two tough years and, the Department of Agriculture at the same time is acquiring submarginal lands and putting them into forage to be leased out to our farmers.

This, the problem of feed supplies, we think is one of the big problems. We think this will help out in our beef cattle industry because there are some areas of the province that are more adaptable to growing wheat than to producing livestock. There are some areas of the province that are more adaptable to livestock than growing wheat.

We would think that the emphasis in the future will be on the areas, if we are going to increase and sustain our cattle numbers, adapted to the production of livestock versus wheat. This is where our main emphasis will be concentrated.

Now, as far as hogs are concerned we have, through the government and through SEDCO, the Saskatchewan Economic and Development Council, made it possible for people who want to go into the hog business to acquire loans. Because of the interest in that and other factors, I just noticed this morning that hog production in Saskatchewan as of December 1st, 1966 was up by 24 per cent.

We have had the highest increase of any of the western provinces, higher than the national increase right across Canada. Now this is going to be a factor when the farmers can sell their wheat they will not bother too much with hogs.

If they have a large amount of wheat or coarse grains on hand then they will market as fast as they can and hogs will be a practical alternative. We would hope that our hog numbers will increase.

As far as milk cows are concerned, our dairy industry, we have been able to maintain as of late the amount of milk and cream required simply because the quality of the individual cows in our herds in Saskatchewan has increased. So milk production has gone up; butterfat production has gone up, efficiency has gone up and so we have not got into too much trouble.

But in Saskatchewan we are geared, as we say, for a wheat economy. We are mechanized and with the problem of help, it is harder for a person to get into the dairy industry and get help to maintain himself in the dairy industry. Therefore, this is one place that is affected.

I think there is a trend all across Canada with regard to sheep. As far as we in Saskatchewan are concerned there is money to be made in sheep as a secondary livestock enterprise.

The sheep population in Canada has been declining rapidly over the years.

They have a great deal of land in Saskatchewan we feel is adaptable to sheep and a great many farmers we feel could be interested in sheep. Last year for the first time in history we set up a community pasture exclusively for sheep,

where the farmers could take their sheep, put them in their pasture in the spring and bring them out again in the fall.

Now this program was so popular that we had requests for more sheep pastures. Next summer we will have four sheep pastures operating and they will be able to handle about 8,000 mature ewes plus their lambs. So we feel this will give impetus to the sheep industry.

All of these problems that we face, we are taking what we hope will be corrective measures to get people interested in getting back into livestock.

Mr. RAPP: Mr. Chairman, just a short supplementary. The Minister had mentioned community pastures. Is there a shortage of community pastures in the province? Is there a great need for community pastures?

Mr. MCFARLANE: I think I could best answer that, Mr. Rapp, by indicating that there is quite an interest in more community pasture facilities in the southern part of the province. This is the area where there are big ranches and large livestock numbers and it has been that way for years.

Now, we are having an increasing demand for community pasture facilities in the northern half of Saskatchewan. We are going ahead with that. There were about five new pastures opened last year and five more again this year and we think we are in a better position to fill the need of the livestock man in northern Saskatchewan than we have been. I think the pressures would still be in the South but I think we have pretty well caught up with most of the pressures in the North.

The CHAIRMAN: I just want to remind the Committee before we go any further in the questioning that we should be trying to stick as closely to the operations of the Wheat Board as possible and how the wheat and feed grains affect the operations of the wheat board. What time do you have to leave here Mr. Minister?

Mr. MCFARLANE: I should get back for three. If I have to go I am sure Mr. Horner, my deputy and Mr. Brown will be quite pleased to spend the rest of the afternoon with you.

The CHAIRMAN: We have lost some of our Committee members who are visiting your legislative assembly at the present time. I know that is where they have gone.

Mr. DANFORTH: I have just one more short question and then I will pass.

Mr. Minister, following the trend established by Mr. Jorgenson, we in the East are very much concerned about the availability of supplies of coarse grain for our feeding programs.

Now, I understand and we have been shown during our trip this morning, which was very much enjoyed, that there is a trend towards putting crops that would normally be summerfallowed into continuous crop and that there is an increased use of fertilizer to increase the fertility of the soil.

Is it the opinion of the Department of Agriculture here that part of this land and part of this increase will be devoted to coarse grains rather than solely to the production of wheat?

Mr. McFARLANE: This could best be answered by indicating to you the cropping patterns in many of the areas of the province. The southeastern part of the province, I would say, would follow a wheat, coarse grain, summerfallow rotation. I think these areas would be those most likely to produce a continuous supply of coarse grain. Mind you, the first indicator as to whether farmers will go into coarse grains as compared to wheat will be the price of those coarse grains.

As I indicated a little earlier, because of new barley varieties this year farmers have almost been able to double the average yield of barley this year as compared to other years. If they can get the types and varities which will produce large amounts then I do not think it would be a serious factor.

With the increased use of fertilizer and with a market I do not think the farmers in this province would hesitate to grow coarse grains. Once they know there is a market available I think they can quite easily gear themselves for this market.

Mr. DANFORTH: Thank you, Mr. McFarlane, I pass.

Mr. MUIR (*Lisgar*): Some of my questions have been asked, Mr. Chairman, but I have one or two questions I would like to ask the Minister. Before I do I would also like to congratulate the Minister for the concise and informative brief he presented to the Committee this afternoon. This is the kind we like with lots of information and not too many words.

I would like to mention the production on page 5 of your brief. The figures you show before this indicate that up to about 1961 you had wide swings in your production.

Now, I would imagine that you would attribute some of this probably to improved farm practices and tillage methods. But the fact remains it still takes so much water to make a bushel of wheat. Do you feel that the improved tillage has been storing the moisture so you actually do have the required amount of water?

Mr. McFARLANE: Perhaps I could, for members of the Committee, indicate why our yield fell so low in 1961. In that year the experimental farm at Indian Head had been keeping precipitation records for 75 years. In 1961 we had the lowest rainfall in the whole 75 year period.

We had a crop which averaged about eight or nine bushels per acre that year but the reason we reached even that average was because of the favourable moisture conditions which carried over from the year before.

I would say this, however, because of the farming practices in our province at the present time; because of the high degree of mechanization, our larger farmers and commercial farms I mentioned, are now in a position to go out and take advantage of just about any weather factor.

Now if there is a wet spring they are set up now where they can get out, inside of three or four days and get their whole crop in and take advantage of the weather conditions. We had the same factor in the fall of 1965 when we had probably the worst September on record. Most of our crop was down under about three snowstorms.

When the weather cleared, our farmers went out, took off the balance of the crop in a little over a week or ten days and surprisingly enough a lot of it came off dry. So our farmers are now mechanized to the extent where they can take advantage of weather conditions more so than they were 10, 15 or 20 years ago.

Mr. MUIR (*Lisgar*): Would you consider, then sir, that even under drought conditions you would not expect the decrease—

Mr. MCFARLANE: I would not expect it to be so abrupt. But I would like to indicate here today that if we had two, three or four dry years in succession then our economy could be in deep difficulties and our farmers too.

Mr. MUIR (*Lisgar*): Do you have any figures on the increased use of fertilizer in the last few years?

Mr. MCFARLANE: I cannot, offhand, give you the number of tons we used this spring but I know we used 214,000 tons in the spring of 1966 which was just about double that used the previous spring.

Mr. MUIR (*Lisgar*): Do you expect, with the discovery of fertilizer within the province, namely, potash, a decrease in the price to farmers, any appreciable decrease?

Mr. MCFARLANE: It has no effect whatsoever on the type of fertilizer we use.

Mr. MUIR (*Lisgar*): Oh, you are not using potash?

Mr. MCFARLANE: No. But this fall we started our first soil testing facilities within the province, where a farmer can take soil samples, send them in to the university and the university will classify the soil and indicate to the farmer how much and what types of fertilizer and what rate is needed. We feel this is going to be a big factor in production.

Mr. MUIR (*Lisgar*): You are giving the farmers information with regard to the type and quantity of fertilizer they need to use?

Mr. MCFARLANE: Yes, the formula and the amount.

Mr. MUIR (*Lisgar*): My other question has to do with the figures on page 6 of your brief. You did not say anything about what price you feel would be adequate to give the necessary increase in constant dollars to allow for the increase in costs over the past ten years.

Mr. MCFARLANE: If we follow the figures we outlined to you here in this brief, they indicate that the cost has risen to about $1 per summerfallow acre and having regard to the average long-time yield an increase of at least 20 cents a bushel could be justified.

Mr. MUIR (*Lisgar*): That would be 20 cents that comes back to the farmer. Do you think that would be adequate? I think we have heard briefs asking for an increase up to about—

Mr. MCFARLANE: I am a farmer myself and if I set one price I would have every farmer in Saskatchewan disagreeing with me. I think the farmers in this province think the higher the better.

Mr. MUIR (*Lisgar*): I agree with that. Thank you, Mr. Chairman.

Mr. OLSON: Mr. Chairman, I too would like to add my congratulations and commendation to Mr. McFarlane for his brief. On page 3, Mr. McFarlane, you say the costs have risen to $12; cash operating costs and depreciation for cultivated acres, $12 per acre. Does this include only the seeded acreage or is this the total acreage of the farm?

Mr. MCFARLANE: This is the cultivated acreage per farm. As I say also in the brief, if one-half is in summerfallow and one-half in crop you would double it.

Mr. OLSON: Does this cost factor include what some of our accountants refer to as crops of money, the investment in the land, whether it is borrowed or not?

Mr. MCFARLANE: No. It is just the cash operating cost and depreciation for cultivated acres. Now this is the cash input to put the seed in the ground, fertilizer, fuel, oil, and so on.

Mr. OLSON: You give the Melfort area as an example of $200 an acre land at 5 per cent. You could add another $10 to this then? Is that correct?

Mr. MCFARLANE: Yes.

Mr. OLSON: Now, Mr. McFarlane you talk about this one-crop economy factor. Your statement reads:

> Our mono-culture centered on wheat is partly a result of our limited alternatives.

But is there any real physical impediment to changing to other cereal grains? If the economic structure or the price was favourable for oats and barley or even flax and rapeseed, there would not be any great difficulty in changing would there?

Mr. MCFARLANE: I would say as far as oats, barley, flax and rye are concerned I do not think there would be any difficulty if the price was attractive.

Mr. OLSON: You say on page seven that:

> A series of good crops, including and since 1962, has concealed this effect.

The effect of the higher costs per acre that have gone in. Do you expect that the production of cereals in Saskatchewan will go down appreciably at any time, taking into account the new methods and new varieties and fertilizers and all of the other assists that farmers are using now in relation to what they did a few years ago?

Mr. MCFARLANE: I am afraid that due to climatic conditions or things like that that we could be in serious trouble. But, given favourable rainfall conditions, favourable growing and harvesting conditions, with newer methods and techniques and the new services now available to the farmer, given the same set of circumstances I would think they would increase. But we are subject in this province to the climatic factor. This has been the history of Saskatchewan. Even this could affect the best farm management practices.

Mr. OLSON: You are up to over 500 million bushels of wheat now, 546 million bushels. This, I take it, is substantially higher than your ten-year

average or what you produced even in any given year ten years ago or so. You do not expect this to drop back anywhere near those levels do you?

Mr. McFARLANE: Our total production of wheat was the highest on record this year because of a carry-over of favourable moisture conditions from a year ago plus the publicity that the recent wheat sales created throughout the province. As a result of that there was a great deal more second crop or stubble went into the production of wheat than in previous years.

Mr. OLSON: Do you expect the farmers of Saskatchewan to continue raising this even beyond the 546 million bushels if marketing conditions look favourable?

Mr. McFARLANE: That would be pretty hard to decide at the moment.

Mr. OLSON: Let me put the question this way. Have you any additional land that could go into wheat production if there was an economic incentive to do so?

Mr. McFARLANE: There are about 200,000 to 300,000 acres of new land being brought into crop production in this province annually. So on that basis to your question is there additional land that could be put into wheat production, I would have to say yes. Quite a substantial portion of this quarter of a million acres that comes into cultivation annually would be put to wheat for first crop.

Mr. OLSON: How long do you think you are going to extend your acreage at this level?

Mr. McFARLANE: The way it is going at the present time, perhaps for a ten year period. The land is still available in our park land areas. The farmers are gradually clearing up bush, draining sloughs and bringing some of this type of land into production.

Mr. OLSON: Mr. McFarlane, you mentioned, in response to Mr. Jorgenson's question, I believe, that it is the policy of your Government to encourage increased cattle populations over the whole of the province.

Have you set any target for this increase in cattle population? For example, how many do you expect to have in Saskatchewan by 1970?

Mr. McFARLANE: I think we had hoped for about three million head by 1980 and have the facilities available for carrying that many head. Now this will depend on the farmers.

Mr. OLSON: My last question, Mr. Chairman, is in relation to the statement made on page 7, I believe it was, where you say:

> However, you will appreciate our concern that higher grain prices are necessary if our medium-sized farmers are not to experience serious income problems...

I am not trying to ask you to take into account all the ramifications of the international wheat market, but, based on costs, what you anticipate in rising costs, how much do you think it ought to go up in another three-year contract? That would be until near 1970? That is in so far as the return to the farmers is concerned.

Mr. McFARLANE: Let us work it out. I said before, based on the increased cost of $1 an acre, if this trend continues there will be an increase of $1 an acre for the next three years.

It would follow then that if the first year you had an increase of 20 cents, the second year, because of an additional increase you would have to go to 40 cents and the third year you would have to go to 60 cents if you based it on that formula.

Mr. OLSON: Sixty cents over the maximum we have now?

Mr. McFARLANE: At the present time.

Mr. OLSON: Do you think these increased costs would have taken place if it had not been for these unusually high yields you have had for the past three or four years?

Mr. McFARLANE: The higher the yield in this province should result in a crop costing less in comparison.

Mr. OLSON: I am asking you this question, Mr. McFarlane, because I am wondering if some of the farmers have not actually added more equipment, bigger equipment and more sophisticated and more costly equipment than they would have added because of these crops. They may not have done this had it not been for these unusually high crops. Would this factor enter into this $1 acre or 20 cents per cultivated acre annual increase?

Mr. McFARLANE: I would have to say it would be a possibility because when the farmers say there were opportunities for a sustained market they felt it was the proper time to mechanize accordingly.

Mr. OLSON: Thank you, Mr. McFarlane, I will pass for now.

The VICE-CHAIRMAN: If you are finished with your questions, right now, then I call on Mr. Clermont, please.

(Translation)

Mr. CLERMONT: Mr. Chairman, I also want to congratulate the Minister for the conciseness of his brief, and I would like to make a comment in regard to his remarks about the Grey Cup. If I can trust the remarks that were made to me in Vancouver and Calgary, they will not be the only ones in the League—there are others who intend to come into the League in Ottawa to defend the Grey Cup. We, the representatives of Eastern Canada, we have given you Lancaster, but we are not going to let you have the Grey Cup by yielding him out to you.

(English)

Mr. McFARLANE: Well, all I can say is that the people in the East have made a lot of mistakes and the West are always ready to take the best of opportunity. If you can find a few more Lancasters we will take them too.

Mr. CLERMONT: You got Lancaster because Ottawa had a surplus of quarterbacks. Maybe with your surplus of grain in the West the eastern farmer can buy his feed at a lower price.

(*Translation*)

The question I want to put to the Minister is the following one. In regard to his mention of the price, on the Saskatoon and Toronto market, there was a difference of a few cents a pound between the Saskatoon and Toronto market, for the Eastern farmers. Does the fact that the Eastern farmer has to pay a higher price for his grains not compensate for these differences?

(*English*)

Mr. McFARLANE: I think the answer to that would be the eastern farmer now, I think, would be thinking in terms of corn versus barley and the western farmer is still thinking in terms of the differential between the price he would get paid for a hog here in Regina or Saskatoon as against the price the eastern farmer would receive in Montreal or Toronto.

The feeling in western Canada has been that they were helping to pay the subsidy of shipping the feed down to eastern Canada and at the same time having to bear the disadvantage of the differential in the price they would receive here for a hog as compared to eastern Canada. I think this would be the big factor there.

(*Translation*)

Mr. CLERMONT: Mr. Minister, page 7, you mention that in 1961, a third of the farmers had a revenue of more than $5,000 and another third less than $2,500. Have you more recent figures than those at your disposal?

(*English*)

Mr. McFARLANE: No these were the census figures of 1961 and I must apologize that we do not have any more recent figures. We are quite interested in what the figures will be after we have the results of the 1965 census.

(*Translation*)

Mr. CLERMONT: On page 9, you show great interest in railway transportation and freight. Would you object to making comments in regard to a transport bill which was adopted by the House of Commons recently in regard to these railway lines? Would you like to make any comment on that?

The VICE-CHAIRMAN: Mr. Clermont, would you please repeat your question? I think the Minister did not fully understand, he did not have time to get your question.

Mr. CLERMONT: At page 9 you mentioned branch line abandonment.

Mr. McFARLANE: I would like to stress, on this occasion, the fact that our farmers and the other people in the areas that would be affected by rail line abandonment or the lifting of these lines would want to firstly make sure there were alternate transportation facilities available to them.

They realize, of course, if they are going to have to transport their produce further to market that this is going to be an added cost and a decrease in the final realized price.

They realize, of course, too that as far as our municipalities in this province are concerned, that if their rail lines are taken up new market centres may have

to be set up. This, of course, is going to create concern as far as planning of market roads, good roads to get the products to market is concerned.

Also, the government of the province of Saskatchewan would be concerned because they too would be responsible then for having to set up an alternative highway to service these communities. So our people are concerned.

They would hope that the whole economic well-being of these affected communities would be taken into consideration before any final judgment was made.

They would hope they would have every opportunity to present their feelings and their concern to whoever is responsible before a final disposition was made.

Mr. CLERMONT: My last question, Mr. Chairman, will deal with page 7, the second paragraph, where you state:

> ...in the four years 1961-64 analysis of farm management club members' farms show an increase in cash operating...of $2.08 per cultivated acre...

Would you have a corresponding figure for an increase or decrease in revenue for the same period, 1961-65?

Mr. MCFARLANE: I am sorry, sir, I do not think we could give you the information you request. This is just a figure for showing the costs and the revenues of the members would fluctuate according to the yields they attained.

Mr. CLERMONT: You have no figures to show any increase or decrease for the same period?

Mr. MCFARLANE: We used 1961-64 and in 1961 the average yield for wheat in the province was 8.5 bushels; in 1962 it had risen to 20.4; in 1963 to 27.5; 1964 it was reduced to 18.1 and in 1965 to 21.6. So there would be a fluctuation from 8.5 to 18.1 in the period we referred to there.

Mr. CLERMONT: Thank you, Mr. McFarlane.

Mr. CADIEU (*Meadow Lake*): I would also like to compliment the gentlemen on this brief. While the previous speakers covered part of my question I am very happy to notice in here on page 9 a reference to how seriously rail line abandonment could affect the cost of marketing produce.

I was wondering if the provincial government was doing anything to try and compel the railway companies to complete some of the gaps in the branch lines that were not filled in and left people without rail service for a lifetime. They have had to haul their produce from 50 to 60 miles.

I am referring now to the gap between Frenchman Butte and Heinsburg, Alberta and St. Walburg to Grand Centre. This was recently brought up in the House of Commons and I had brought it up on a number of occasions down through the years but I did not get support until recently. They have noticed the danger now of losing what they have got. I was wondering what your government would do toward making a study to see why these gaps have never been completed.

Mr. McFARLANE: I would say, Mr. Cadieu that it would be a very interesting type of study. The surprising thing in this province at the present time, many people are thinking in terms of rail line abandonment.

All the information they get leaves them with the impression that all that is happening in Saskatchewan is that rail lines are being picked up. But, because of new industrial development we also have new rail lines going in to other parts of the province to tap the resources in those areas.

Therefore, we have a few things happening; in some areas a prospect of lines being lifted and in other areas new lines being built.

Now I think the area you are interested in and concerned about is an area where something has been hanging on for years, and years and years and possibly there are reasons or conditions that could be looked into.

Mr. CADIEU (*Meadow Lake*): I brought up before the transport committee that there should not be any shortage of railway materials.

Mr. JORGENSON: It is not any worse than Vancouver.

Mr. WATSON (*Assiniboia*): It is not any worse than that unfinished bridge at Moose Jaw, is it?

Mr. CADIEU (*Meadow Lake*): Oh yes.

Mr. HORNER (*Acadia*): Mr. MacFarlane, you deal in your brief, at page 5, with the question of inflation, and at pages 6 and 7 with the question of cost. At page 8 you touch on the mono-cultural agricultural society of the province of Saskatchewan.

We have been told again, at pages 8 and 9 you deal with freight rate costs. You seemed concerned with the built-in costs of agriculture. Now, we have been told continually by experts—that includes a lot of people—

An hon. MEMBER: Civil servants.

Mr. HORNER (*Acadia*): —I was thinking more of professors. We have been told for years by experts that the solution to the agricultural problem is to cut down costs, to offset costs is to get larger and larger and larger. In view of Saskatchewan's particular position, it has, to a large extent, gone through this phase in agriculture, I say, to a large extent, but not completely, perhaps. We see larger and larger farms and some deally large farms.

But, in view of Saskatchewan's particular position right now with regard to the completion of the South Saskatchewan Dam and land being made available for irrigation, do you see a possible answer to the alleviation of the building prospects is a greater diversification in the Saskatchewan agricultural picture?

Mr. McFARLANE: I would see greater diversification in agriculture in our province in years ahead. I can see greater intensification developing in agriculture in our province in the years ahead.

I can see that because of increased efficiency and possibly, to a degree, by the increasing of some of the holdings and by so doing being in a position to purchase more and larger equipment; taking advantage of favourable climatic conditions to meet costs of investment in accordance with present prices.

This may put some people in a more favourable position. But, then, I would say this, and it is my own thinking, that the day could come when because of your efficiency you could produce a product at a price whereas the rest of the sector in that industry could not.

Once that product has been produced at that price it tends then to become the price for that product. It could be advantageous for the larger operator, if the price is allowed to remain at that figure, it could affect the industry as a whole and create trouble.

Mr. HORNER (*Acadia*): This is the point I was wondering about particularly. I think the easiest solution, naturally, is to say yes, larger and larger is the answer. But what is large today is small tomorrow and where are we going to end up is the question that comes to my mind.

In Canada today we find ourselves importing something up to about $800 million worth of agricultural goods other than coffee, tea and citrus fruits. I think the challenge in agriculture in Canada today is to move in and fill this vacuum in the production of agricultural goods. I see Saskatchewan being climatically well-suited because of its hot weather.

The CHAIRMAN: How about Alberta?

Mr. HORNER (*Acadia*): Yes. If you do not mind me saying this, Mr. McFarlane. Saskatchewan is known for its dry, hot weather. This is a necessity in the production of many, many types of goods. I could say, perhaps even tobacco might some day, some new variety, be grown here, even cotton someone suggests.

With the advent of the South Saskatchewan Dam and the availability of ample water and your special climatic conditions, is your Department looking at this picture with the development of new crops or new crop varieties as part of the solution to agricultural problems being further intensification and further diversification?

Mr. MCFARLANE: I would say that probably one of the biggest factors that will affect agriculture in Saskatchewan in the years ahead will be the amount of acreage in our province that can be developed for intensification and for diversification by virtue of the fact it will be able to have water supplied to it through the South Saskatchewan River irrigation project.

There is renewed interest because of this in our province at the present time in truck-gardening, in forage which is going to be a big factor, in the production of forage and legumes right in the heart of our livestock area in Saskatchewan. This is the area which has suffered so much in the years of drought.

We think this will be one of the big salvations for our livestock industry. It goes all the way down the line. Once you get into one specialized crop it leads to some industry moving in.

When we go into the South Saskatchewan River irrigation area, the Broderick area, the Outlook area, we will get into the production of forage, even into horticultural projects, supplying the needs of the people of our province.

It even creates industry among the beekeepers in the province. They are now watching with interest the development in the South Saskatchewan with

regard to legumes and they are ready to move in and set up a bee industry in the province. We have, of course, a good market in Great Britain for our honey at the present time so our beekeepers will benefit from this.

Mr. HORNER (*Acadia*): Would you permit me one further question, Mr. Chairman? In your Department—You say there is renewed interest in the province on the part of various industries, but is your Department actively engaged in research into the development of new crops specifically suited for this province? Or, is it leaving this all up to Ottawa?

Mr. MCFARLANE: I would answer your question this way. Our Department, because of the interest in this new development in the province, is very keenly aware of the possibilities, to begin with even the structural development out there.

Personnel from our department have gone to Alberta and different states in the Union to see the latest techniques in developing irrigation canals and all this type of thing so our structures will be the most modern that we know of.

Following that up we will have staff in our Department who we think will be able to counsel the farmers who are engaged in irrigation in that area in the latest techniques in the development and production of these special crops.

Our Department is in touch at all times with any information that comes from the United States by way of extension and research, with Ottawa and with our universities; wherever we can pick up the information. But, set up a special staff at the present time for this type of thing, I would have to say no because we have not.

Mr. HORNER (*Acadia*): Well all right then, you cannot expect the livestock industry to be the sole end-user of your water. I am just throwing this out. You should not expect the livestock industry to be the sole end-user. You suggest that 80 per cent of the feeding crops are wheat.

I believe this may be good for the time being but your Department should be looking ahead and should be setting up a special research area where it should go into the development of new crops which we will be able to use the water for more cash crops, besides the livestock and forage industry. In recent years we have seen, for example, rapeseed move into the province of Saskatchewan. More crops should be developed like rapeseed.

Mr. MCFARLANE: Let me put it this way, because of the nature of the project and because of the accessibility of water that now people who are professionals in specialized crops are interested in coming into our province and establishing and they themselves have market connections before they even come in here. They know where they are going to market their produce and are experts in their field.

Mr. HORNER (*Acadia*): Yes, but people look to government for leadership and a formula for Saskatchewan agriculture. I would like to hope that you are providing more leadership here for your Saskatchewan crops than what we see in Ottawa today. The Chairman is giving me a dirty eye, I had better keep quiet.

Mr. GUNDLOCK: Mr. Chairman, may I ask a supplementary to the Minister. You mentioned a moment ago about research in Alberta and the United States

as pertaining to the irrigation development in connection with the Saskatchewan dam. I understand you have a program of assistance for farmers attempting to enter into the irrigation program. Could you give a brief outline of that? We heard, as a matter of—

The CHAIRMAN: I think, rather than ask the Minister about this, you will have an opportunity to talk to the PFRA people which may be better.

I am only trying to speed the meeting up because we are really taking longer here than we intended. We have the Pool people to make a presentation and one other witness we are supposed to hear this afternoon.

Mr. GUNDLOCK: Well it is a goverment proposition, Mr. Chairman, not PFRA.

Mr. MCFARLANE: I would say, that to those people did not wish to irrigate in the area and wished to sell their land to the government—

Mr. GUNDLOCK: No, sir, I asked what assistance do you give to the people who want to irrigate?

Mr. MCFARLANE: We have taken over the lands we acquired and we will allocate them to individuals who are interested. We will pay one-third of the cost of land development and one-third of the sprinkler investment too for the farmers who go into this type of farming.

Mr. GUNDLOCK: You will pay one-third of what?

Mr. MCFARLANE: We will pay one-third of the cost of land development, for ditch-type irrigation and one-third of the cost of sprinklers for those who wish to use them.

Mr. GUNDLOCK: What about the balance?

Mr. MCFARLANE: They can get loans or grants for development.

Mr. GUNDLOCK: Loans or grants?

Mr. NOBLE: Mr. Chairman, a supplementary as a follow up to what Mr. Horner has been asking. I notice the Minister went over a list of the supplementary and possibly complementary industries that you might develop in this province. I notice that you omitted to mention anything about the fur farming industry and I was wondering if you had this under your jurisdiction?

Mr. MCFARLANE: The fur farming industry in Saskatchewan was under the jurisdiction of the Department of Natural Resources. In the future it will be brought under the department of agriculture.

Mr. NOBLE: I hope you encourage it.

The CHAIRMAN: I do not know what that has to do with the operations of the wheat board.

Mr. RICARD: Mr. McFarlane, am I interpreting your figures correctly on page 2 when I conclude that you have about 4,500 family farms and the rest are all commercial farms?

Mr. MCFARLANE: These are the total farms in the province.

Mr. RICARD: The 4,500 or the 165?

Mr. McFARLANE: These are just estimates and when they were drawn up the figure you are speaking of, the 4,500, would be those farms with a revenue of less than $1,200 in 1961.

Mr. RICARD: Then would you classify those farms as commercial farms or family farms?

Mr. McFARLANE: No, maybe submarginal farms: some of them may be even classed as hobby farms and other smaller acreages, I imagine, around the urban centres; part time farms.

Mr. RICARD: Have you any program within the Department to encourage family farming? Does the government have any programs to encourage the establishment or continuation of family farming?

Mr. McFARLANE: I would modestly say that practically all our programs in the Department of Agriculture are aimed at the preservation, maintenance and expansion of family farms in our province.

Mr. RICARD: A young farmer would have facilities to establish himself on a farm? Do you give them grants or subsidies or anything like that?

Mr. McFARLANE: They would have access to the present means of credit through FCC, FILA, Co-op Trust and these types of provincial credit facilities and they can apply to the government, through the opening up of new areas of farm lands in the province, to acquire these new lands. If there are young farmers who have other sources of credit, through their family or machinery, they too can be in a position to acquire some of these tracts of lands which are available.

Mr. RICARD: According to the figures you gave us, the acreage on the farms has a tendency to increase. Do you think it has reached a summit or do you expect there will still be increases?

Mr. McFARLANE: Do you mean that the average size farm will increase in the years ahead? I would have to say that following the trend that has been taking place during the past few years we have not at the moment reached the peak of our cycle.

Mr. RICARD: I still have one question and then I will be finished. On page 7 you say that one-third of the farmers have sold about $5,000 worth of agricultural products and the other one-third has sold about $2,500.

Mr. McFARLANE: Less, yes.

Mr. RICARD: Do you think the yield per dollar since 1961 has increased or decreased?

Mr. McFARLANE: The yield?

Mr. RICARD: For farmers, I mean.

Mr. McFARLANE: I would think making a guess here, without looking at any reports or any statistics, that the top figure would be increased and the margin narrowed at the bottom.

The CHAIRMAN: Before we terminate this part of the meeting I want to thank you, Mr. Minister and your staff for coming here. I would also like to

clarify one thing. I believe you are well aware of the tremendous research that the federal Department of Agriculture is doing through its research facilities.

When you speak of legumes in our area, this irrigation project you are talking about is in our area, I only wish we had some of the aid you are giving to your farmers in the area I come from where we have to spend 100 per cent of this aid ourselves.

I want to thank you and I believe the photographer is asking members to stay for a moment so he can take a picture. We are adjourned until the next witnesses—

Mr. McFARLANE: Mr. Chairman, before you adjourn I would just like to express my sincere appreciation, once again, of having the opportunity to be with so many distinguished gentlemen this afternoon. I want to welcome our members from Saskatchewan who are back for a day or two and I hope you show the members from other parts of Canada a real good time while you are out here.

I sincerely hope, Mr. Chairman, that we may have opportunities like this in years ahead when we can sit down with representatives from other provinces in Canada and discuss, mutually, some of our concerns and where we are going in agriculture, not only for the welfare of our own province but for the welfare of all citizens in Canada. It has been a real pleasure and I hope you enjoy your stay in Saskatchewan.

The CHAIRMAN: I just wanted to say that one of the members from Saskatchewan told us yesterday of an invention Saskatchewan had created. It was Mr. Rapp, and I will let you guess what he told us was developed in Saskatchewan.

Mr. McFARLANE: If he said it was the pill he is not correct.

The CHAIRMAN: It was not the pill. One of the things, I think, that Committee members and Members of Parliament are concerned about, being as it is our centennial year—some people call these trips junkets, we call them fact-finding trips—that we, as federal Members of Parliament learn as much about Canada as possible. We hope that this is one of the ways we can understand our nation better and help the people in the individual provinces understand Canada better.

Recess.

After recess.

The CHAIRMAN: Gentlemen, we have with us the First Vice-President of the Saskatchewan Wheat Pool, Mr. E. K. Turner, who will present a brief on behalf of the pool. We have some of his officials here and I would ask Mr. Turner to introduce them at this time.

Mr. E. K. TURNER (*First Vice-President, Saskatchewan Wheat Pool*): Thank you, Mr. Chairman and members of the committee. I would like to introduce to you, on my immediate left, Mr. Bob Phillips, the Director of our Research Department in the wheat pool, and also Mr. Wes Ball, the Manager of our Country and Terminal Elevator Division.

Mr. Chairman, at the outset I would like to say that I really do not expect to get any plaudits for the brevity of our brief. However, when we are asked to

comment on questions that are of vital concern to our farmer members we jump at the chance. We have illustrated in this brief our area of concern.

With your permission, Mr. Chairman, I would choose to summarize the first 12 pages and then read the balance of the brief.

The CHAIRMAN: What we should do, I think, is agree to have Mr. Turner summarize the first 12 pages, but print the whole presentation. Is the committee agreed on this?

Some hon. MEMBERS: Agreed.

Mr. TURNER: Mr. Chairman and Committee members, on behalf of the farmers who own and operate the Saskatchewan Wheat Pool we welcome you to Regina which, among other things, is the location of our head office, the geographic centre of Canada's wheat belt, the home of a number of other important co-operatives and also of the Grey Cup champion Saskatchewan Roughriders football club. We are all very pleased indeed to have you come our way to give us the opportunity to tell you something about the matters which seem most important to us.

Our intention in this statement is to outline, as clearly and as briefly as possible, the role of the Saskatchewan Wheat Pool in the agricultural industry of Canada and to bring to your attention some of the perplexing problems which confront the pool and its farmer members.

We have a number of formal briefs and submissions on some of the questions raised in this statement, and copies of these other documents will be made available if you wish. We are available to answer any questions that the statement suggests.

We have circulated a copy of our annual report for your perusal at your leisure. In the first few pages we set out the aims of our organization and the objectives we attempt to reach through our organization. We talk about the democratic structure of the organization, which indicates why we are sitting before you today. We are here to represent the members who have built the organization and who have elected me to this position of First Vice President.

The next two pages illustrate this. We talk about our role as a co-operative and how we participate in co-operative organizations. We talk about the two-way flow of information from the farmers to the organization and from the organization back to the farmers. Under "The Pool in the Marketplace" we talk about the history and philosophy of our organization.

We talk next about the commercial services we provide as an organization, grain handling in the country and at the terminals, our livestock handling yards around the province and our interest in livestock marketing agencies in Manitoba. We talk about the processing that we carry on in the flour mills and vegetable oil plants located in Saskatoon, and also about the Western Producer, the weekly farm paper, and also the Modern Press publishing company in Saskatoon; our area of farm supplies or services to our farmer members throughout the province; and then we speak of a number of other co-operative ventures that we have an interest in.

Towards the close of this section, at the bottom of page 12, we speak of the employees of our organization and the affiliations that they have with labour

unions and how they are attempting to improve their capabilities, and the encouragement that we give them in this regard.

I will start to read, then, at the top of page 13.

Farmers Face Three Kinds of Problems

Farmers tend to be individualistic and most of them prefer to solve their own problems by themselves insofar as they are able. But, many problems cannot be solved by individual farmers on their own farmsteads. Sometimes the problem is simply too large for the individual to handle and sometimes an individual solution for one hinders his neighbor and therefore may not be best for the industry. Saskatchewan farmers came to this conclusion years ago before they established the Wheat Pool and it was largely because of this that the Pools were organized.

The original objective of the Pool was to market its members grain. This was one problem farmers found they could solve better collectively than by themselves individually. Through the years the farmers have added other items to the list of problems they believe the Pool can do better co-operatively than they could do for themselves. It is because of this that the Pool now finds itself, 43 years after its establishment, in the livestock business, in the processing of flour and vegetable oils, in the distribution of farm supplies, in the publishing business, in the insurance business and in a variety of other activities.

But aside from individual and co-operative activity, there is a vast range of problems which only government can resolve. Sometimes problems are local and resort to local government is sufficient. Sometimes the problem is province-wide and then the provincial government is asked to intervene. Sometimes the problem is national and even international and then the national government can Parliament are asked to intervene. The Pool is a member of the Saskatchewan Federation of Agriculture and through it takes part in the activities of the Canadian Federation of Agriculture and the International Federation of Agricultural Producers. Some problems are pursued through these wider-based organizations and some by the Pool directly. We have concluded, Mr. Chairman, that your Committee is interested in our views about a number of important questions. Few of these are new but for some of you who live normally in other parts of Canada a brief review of the questions might prove useful.

The Pool and the Canadian Wheat Board.

Farmers in Western Canada generally support the Wheat Board's operation and while from time to time we question individual decisions by the Board we do not question the desirability of its remaining as Canada's sole marketing agency for Prairie grains. We would in fact have its powers extended to other grains than it now handles.

Since long before establishment of the Wheat Board the Wheat Pools have urged this form of marking for Prairie grains and we have never faltered in our resolve to support the Canadian Wheat Board. As some of you may know the Wheat Board has a producers' advisory committee. The President of Saskatchewan Wheat Pool is its chairman. As a consequence we have a first-hand opportunity to learn of Wheat Board problems from time to time and to offer assistance in resolving these problems. This experience has only strengthened our support for continuation of the Wheat Board.

Let's consider for a moment our proposal that Wheat Board jurisdiction be extended to allow the Board to handle rye, flax and rapeseed. This position has general support throughout the West and last spring the Pool and other Prairie farm organizations supported the Western Agricultural Conference in its submission to the Federal government to have these Wheat Board powers extended. There have since been additional discussions on this question but the Federal government does not yet seem persuaded to support our proposal. We have with us today a copy of the submission prepared last year on this question and would be prepared to discuss it with you in some detail if you wish.

The Pool and the Board of Grain Commissioners for Canada

We support generally and so do most Prairie farmers the operation of the Board of Grain Commissioners. It is the Federal authority which regulates grain standards, the licensing of new grains, the licensing of country handling and processing facilities and generally oversees the Canadian grain industry. As in the case of the Wheat Board we sometimes raise questions concerning the operation of the Board of Grain Commissioners.

The Grain Commissioners now have under review the many regulations it administers to assure itself and the farmers that they are the best possible to meet changing market demands. This means in fact a review of the Canada Grain Act which is the principal federal legislation administered by the Board. The Pool is prepared to help in this review of the regulations and some of our senior staff are members of various committees undertaking the study for the Board. Our concern is that Canada remain aware of the demands of our customers and be ready to make changes in regulations and requirements when changes seem worthwhile. This kind of study takes time and effort and we would not have any specific suggestions in advance of the study's completion but we suspect conditions may have changed somewhat since the last revision of the Canada Grain Act and support a careful examination of these changes.

The Pool and the Movement of Prairie Grain

Because grain production and marketing are such a vital concern for most Western Canadian farmers we are persuaded today to make a number of comments which generally affect the movement of grain and are of special concern to the Pool and its members. One of these has to do with the charges allowed grain companies for the handling and storage of farmers' grain. Another has to do with the Canada Labour Standards Code as it affects the grain industry. And a third has to do with labour-management relations generally in Canada.

Under the present law the Board of Grain Commissioners is empowered to establish maximum handling and storage charges which elevator companies may charge farmers in the handling of their grain. While the Board sets only maximum charges the practice has been for grain companies to charge the maximum allowed and throughout the industry there has traditionally been a consistency in actual charges. The pressure to expand our facilities at both the country and terminal ends of the grain movement and to modernize existing plant has forced all grain companies to seek in recent years an increase in the maximum charges allowed. In 1966 the Board of Grain Commissioners was convinced of our arguments and did provide for an increase of one cent in

handling charges at both the country and terminal ends of the movement. However, because we and the other companies handle Wheat Board grains that is (wheat, oats and barley), under an agreement between the companies and the Wheat Board the actual charges prescribed for these grains is subject to negotiation with the Wheat Board no matter what the maximum allowed. And this year we failed to convince the Wheat Board it should provide an increase.

We would not want to encourage a committee of the House of Commons to intervene in a difference of opinion between two Federal government agencies like the Wheat Board and the Board of Grain Commissioners but we thought you should be aware of this difference and have an opportunity to ask questions about our views on the matter. As already stated we have a new terminal elevator under construction at Vancouver. We also have a heavy construction program in our country elevator division. We consider the question of our income to meet these rising capital costs an important matter. Our concern really is that unless grain companies are given the income means to finance required expansion the grain handling industry will not be able to meet its future requirements and the whole grain moving industry will suffer. The farmer will suffer the most because without improved facilities he will not be able to deliver additional grains and the Wheat Board and others may not be able to meet expanding market demands for our grains.

The Canada Labour Standards Code has posed difficulties of another kind, especially in its relationship to the operation of country elevators. Our present agreement with country elevator operators provides a monthly salary plus an agreed range of commissions for handling grain in amounts exceeding an agreed minimum. We do not specify how many hours may be worked in any given period but tend over the year to allow agents time off when deliveries are light knowing that they will put in longer than average hours during times of heavy deliveries. The Canada Labour Standards Code would have us fix maximum work week and provide extension beyond any approved range of overtime only with specific permission of the federal labour department. This would require that someone be responsible for keeping a time record of hours worked by agents. We find supervision of this kind of record keeping extremely difficult in a situation where the only man on the elevator location is the agent himself, (most of our elevators are one-man operations), and were he to become his own time-keeper we can foresee cause for dispute whenever the matters of overtime accounting is questioned. Until July 31 the Pool has deferment under regulations provided in the Act but after August 1 we are advised that we will be expected to comply. We and the other elevator companies have tried on a number of occasions to have the country elevator operators exempt from this legislation but so far have not succeeded. Mr. Chairman, your Committee may find in its report to Parliament an opportunity to comment on this question. Any support you can offer for our position will be appreciated. The additional provisions affecting rates of pay are not an issue for us because present rates exceed the suggested minimums.

As for the larger labour question, we also have a comment. As you know grain movement has been slowed down and at times stopped because of recent work stoppages on the railways, among dockworkers and even among terminal elevator employees. Whenever grain stops moving at export position the shut-

down soon reflects itself back through the system until eventually the country elevators are filled and the farmer is not able to deliver any more grain. In Canada the farmer does not get paid until his grain has been delivered to a licensed country or mill elevator and when this situation develops a great number of people are affected adversely. Even more important, overseas customers awaiting delivery of our grain tend to lose confidence in Canada's reliability as a supplier and this we cannot afford in an industry as highly competitive as the grain trade.

After careful thought about this kind of question we have been persuaded to advocate the establishment of a form of labour-management court to provide compulsory arbitration where agreement cannot be reached in labour-management disputes in industries of special national importance.

Mr. R. H. D. PHILLIPS (*Research Director, Saskatchewan Wheat Pool*):

The Pool and the International Wheat Agreement

Saskatchewan Wheat Pool and the other two Pools are among the strongest supporters in Canada of international agreement for the trading of wheat and other farm produce. Representatives of the Pools have attented every international Wheat Conference and we hope to be able to attend conferences of this kind in the future.

As you know the present IWA agreement was signed in 1962 and was due to expire on July 31, 1965. It has been extended, however, on two separate occasions and now remains in force until July 31, 1967. Our view is that no further extensions should be allowed unless the terms of the agreement are negotiated to bring about a substantial increase in the price ranges. The existing IWA agreement has a price range of $1.625 minimum and $2.025 maximum basis No. 1 Northern at the Canadian Lakehead. The fact of the matter is that world wheat supply and demand conditions have so changed since that price range was established that our best wheat commands the maximum price in the agreement and likely could command more if the agreement would allow it.

Discussions now are under way at Geneva in the Kennedy Round of the GATT for establishment of an extended international cereals agreement. We support this proposition and hope for a successfull outcome of these negotiations before the expiry date of the IWA on July 31, 1967. Our President Mr. Gibbings is in Geneva as an advisor to the Canadian delegation.

The Pool and International Trade Policy

Saskatchewan farmers tend to be free traders and are among the last of the free traders in the country. We want access to foreign markets for our produce and we want our customers to have an opportunity to sell their wares in Canada and elsewhere. Our produce trades, as you know, with the Communist countries of eastern Europe and Asia and we want these countries as well to have access to Canadian markets with their wares. This means that we want the Peoples' Republic of China to have access to Canadian markets and would also urge that the China government be recognized.

We have been watching with keen interest the general negotiations under the GATT in the Kennedy Round and support the general principle of tariff reductions for all countries. Before the Canadian government embarked on this series of tariff talks we were asked to present our views on the question of

international trade and did so. We have a copy of this statement and would be prepared to discuss it in further detail if any of your members wish.

I might add that Mr. Gibbings has recently been asked to be a member of the new export advisory committee established by the Minister of Trade and Commerce.

Now, on questions of transportation policy, as you know a large portion of our grains, particularly wheat, moves into the export market. As a result we have always been concerned about the quality and price of transportation services both within Canada and between Canada and our customers. Our views about many transport questions are well established and generally known but you might like us to review briefly three matters of special concern:

(i) On the Crownest Pass statutory rates for Prairie grain moving to export position our view is crystal clear. We want them left where they are under the jurisdiction of Parliament. We do not think they are too low or that they result in the railways having to move grain at less than cost. We have on occasion challenged railway arguments about these rates and we intend to challenge future attacks as well. We know very well that if statutory control were removed from these freight rates the railways would increase them, perhaps considerably, now because they needed more money to move the grain but because they believed they could get more money because Prairie grain movement is tied wholly to the railways.

(ii) On the St. Lawrence Seaway toll question our view has been expressed on a number of occasions in submissions to government and to the Canadian Seaway Authority. It may be summarized as follows: We believe present tolls are sufficiently high to meet all operating costs of the Seaway and urge strongly against any increases. We suggest the Canadian government move to remove capital refunding requirements from the toll structure and when this is done the tolls may in fact be reduced as traffic increases. As for the Welland Canal, we believe its traffic should have no tolls whatever. Welland tolls now are suspended: we believe they should be removed entirely, leaving the Welland Canal toll free as are all other domestic waterways in North America. We have a copy of our latest submission on this question and would be pleased to discuss it.

(iii) On matters relating to the new transportation legislation to establish the Canadian Transportation Commission we have a considered view which has already been conveyed to a Standing Committee of the House of Commons. While we offered comment on a number of issues contained in the legislation perhaps the question which would interest you most at this time would be our views about branch lines. Our view can be stated as follows: while we do not oppose rationalization of Western branch lines we do not think the best or the only way to accomplish this is simply by abandonment of track and we suggested a number of alternatives. We suggested the subject should be approached on an area basis rather than line by line as has been the case in the past and we also suggested that it is important for all to understand what the criteria for rationalization will be. The 1966 submission presented to the House Standing Committee on Transportation and Communication was made on behalf of the three Wheat Pools. We have a copy of that submission here and would be pleased to discuss it in detail if you wish.

Mr. TURNER:

The Pool and A.R.D.A.

Because your standing committee is concerned also with matters of rural development we offer a brief comment on the Pool and A.R.D.A., the Agricultural and Rural Development Act. During the years since A.R.D.A. was enacted we have given considerable study to the questions it seeks to consider and we have tried on a number of occasions to offer assistance of our organization to get effective programs at the farm level. Since its beginning the A.R.D.A. program has come a long way. It started out to offer a program and federal government money to assist the provinces in matters of resource allocation. Now it offers a program geared more to the human resource where we think its emphasis should really be. Federal funds are still available to help implement a program geared first to training farmers to do a better job on the farm and second to help those who want to leave farming to retrain and acquire alternative employment.

However, we see very little of the kind of program in operation. The fault may lie in part with the federal government program itself although we suspect the program and the idea behind it are good. The fault may lie with provincial governments who must take up the ideas and the funds and make of them operational programs. Some provinces have acted with more vigor than others and we're sorry to say that the local effort in this direction has been less than might be expected. And some fault may lie with organizations like the Pool which might have done more than we have. But we suspect the Pool and other farmer organizations may be less at fault than others for the slowness with which A.R.D.A. and its programs have been implemented. After all farmer organizations are not an operational arm of movement. We consider our role to be one of suggestion, criticism and encouragement.

At our 1966 annual meeting of delegates the Pool agreed on three specific proposals which should help the A.R.D.A. program. We agreed to seek improved training courses in farm operation, maintenance and management to help the farmer improve his skills; to seek increased financial assistance so that farmers can take these courses if they want to stay on the farm and alternative courses if they want to leave; to seek study of land tenure and land transfer arrangements to determine how best to secure farm land in the hands of Saskatchewan farmers. These proposals went forward to regional and national farm organizational meetings and we suspect will turn up again when the Canadian Federation of Agriculture meets the federal government to present its views about farm policy questions for 1967. When these come to your attention in Ottawa we would hope you do your part as Members of Parliament to encourage serious discussion of the proposals and if accepted by the government that you do whatever you can to have them implemented in effective A.R.D.A. programs across the country. We shall in turn do our part to have them considered locally.

Mr. PHILLIPS: There are a number of federal government programs designed to assist farmers in one manner or another which merit some consideration in the context of this statement. A brief comment on each may be useful to you.

About the temporary wheat reserves act, this legislation is designed to provide federal assistance in meeting the costs of storing Prairie wheat stocks. It provides government payments to meet the storage costs of all wheat in public storage at July 31 each year in excess of 178 million bushels, a figure said to represent a normal annual carry-over of wheat. Farmers in the West support

this program because it recognizes the need for assistance from all the people of Canada in financing the carry-over of wheat stocks. We consider it a worthwhile program which should be continued.

Feed freight assistance policy: The Pool has traditionally supported the federal government's policy of subsidizing the freight costs on feed grains moving from the Prairies to livestock and poultry feeders in British Columbia and Eastern Canada. We consider this domestic grains market an important one and consider the feed freight assistance program goes a long way towards assuring this market for Prairie grain growers. We are familiar with the proposed federal legislation which would establish an eastern Canada feed grains agency to administer this feed freight assistance policy and other related policies and in general we support this new venture. However, many of us are concerned lest the new agency undertake to become a feed grains buying agency as well as an administrative body and as a buying agency enter into direct negotiation with the Canadian Wheat Board which controls the sale of Western grains. We would be less disturbed were the new eastern agency to be financed as is the Wheat Board by the farmers who use it. But we understand the new eastern agency is to be financed by federal funds entirely and in this we see opportunity for a clash between the eastern agency financed by the federal treasury and the Wheat Board financed by Western farmers. It may become an unbalanced clash and we would prefer it not be allowed to happen.

Prairie Farm Assistance Act: Since 1939 the federal government has provided the PFAA program which in the words of the federal government is designed "to provide direct financial assistance to farmers in an area suffering a crop failure." We have seen many crop failures in this part of the country and we appreciate the importance to farmers of this kind of government support. In short we would urge that the PFAA program be continued. Some would argue that the extension of various forms of crop insurance in recent years might suggest there is less need for a program like PFAA but the Pool would not support that conclusion. Crop insurance is desirable where crops are insurable but PFAA makes a form of support available to all who farm whether the risk is insurable or not.

About price stabilization, we have been constant exponents of the federal government's support price program and wish it continued. Anyone who farms knows that growing conditions vary greatly from year to year and that it is sometimes impossible to estimate either the quality or quantity of output. Demand is often unpredictable too. Price stabilization programs tend to remove at least a part of the risk and provide an assured minimum return or cushion. Prairie grain farmers have tried on more than one occasion to assure themselves a similar income cushion but have met no success in our many presentations to government. We shall keep trying and in the meantime would support the stabilization cushion that others enjoy.

About PFRA, during the years since the great drought of the 1930's PFRA has come to be a real friend of the Prairie farmer and its programs for land reclamation and development have helped to change the face of western farmlands. The PFRA has helped the agricultural industry and individual farmers to improve some lands and to assure better water conservation and use. Its programs for farm dugouts with which individual farmers have been able to catch

normal runoff in sufficient quantities to water stock has by itself been nothing less than a boon to the countryside and has contributed greatly to the diversification of agriculture in this part of the country. Both PFRA and the Maritime Marshland Rehabilitation Administration emphasize irrigation and drainage projects which are sometimes developed with provincial government assistance. The Pool supports retention of this kind of conservation and reclamation program.

In this context we must mention the new Gardiner Dam on the South Saskatchewan River which when completed later this year promises new opportunities for irrigated farming, power and recreational facilities. We think this a very worthwhile project.

About farm credit, the Wheat Pool and our farmer members consider the Farm Credit Act and similar statutes which preceded it, and also the Veterans' Land Act and now the Farm Machinery Syndicates Credit Act, extremely important pieces of federal legislation. We especially welcome the statutory limitations these place on the lending rate for farm loans and want you to know that farmers generally support retention of these interest rate limitations. This question is an especially sensitive one at this time when proposed amendments to the Bank Act indicate that the statutory limitation on bank interest may be freed and we suspect that there may be pressure to free the assured rate for farm loans as well. Our view is that the secured interest rates for farm loans available under a variety of federal statutes should remain secured as they now are.

While we have singled out specific federal government policies and programs to discuss in this statement, the over-riding concern of this paper and of the Pool is for improvement in the economic and social welfare of the farmers in Saskatchewan. One measure of economic welfare is, of course, net farm income and this is the question which receives increasing attention at every farmer meeting anywhere in the province. With rising costs of farm inputs (and today an increasing percentage of total farm expenditures are for off-farm inputs) and with stable to declining prices for farm produce many farmers face nothing short of a crisis situation every time they seek to balance their accounts. Some of us call this the cost-price squeeze and that is about what it is. By whatever name, it is a continuing problem and one which deserves constant concern by all of us.

We want to be certain that all of you appreciate the problem of the Saskatchewan farmer, and it is this. His produce is usually sold outside of the province, either at home or abroad, in competition with produce from other places and at prices over which the producing farmer has little control. With only minor exceptions, the farmer produces without any government subsidy or assistance in direct cash payments. The result is that the Saskatchewan farmer is relatively unprotected from the vagaries of the market place. He has tried to help himself by individual action and by joining co-operatives which seek to act on his behalf. He sometimes asks for specific governmental consideration. Agriculture in Saskatchewan remains our main industry in terms of employed labor and value of output and it remains substantially unprotected.

The Taxation of Co-operatives Question:

In this statement we have attempted to outline for you the relationship of the Wheat Pool to individual farmers and to review briefly some of the public policies which both the farmer and the Pool support and advocate. There

remains now one further comment which relates to farmers and their co-operatives like the Pool.

Soon the Carter Royal Commission on Taxation will report to Parliament on Canada's taxation problems. One of the questions under consideration was the question of whether co-operatives and their members bear their share of the tax burden. The commission will likely have something to say on the subject.

We are not going to labor our views on this matter except to say that most of the allegations made before the commission and on public platforms by the critics of co-operatives about the relationship of the tax laws of Canada to Co-operatives are simply insupportable and untrue. The Wheat Pools prepared a detailed submission to the Carter Commission. Our main recommendations were as follows:

(i) We support retention of the present provisions of Section 75 (1) of the Income Tax Act which allows the deduction from taxable income of co-operatives of payments made to customers on the basis of their patronage during the year.

(ii) We urge complete repeal of Sections 75(2) and (3) of the Income Tax Act which limit the distribution of patronage refunds.

(iii) We urge clarification of definitions in the Income Tax Act particularly those to define what is taxable income and who is the taxpayer.

(iv) We urge retention in the Income Tax Act of the five-year averaging provisions for farmers and fishermen and urge that government attempt to publish more widely its availability and explain its operation.

(v) We urge retention of the gift tax provisions of the Income Tax Act and recommend that government undertake to publicize more widely its availability and to explain its inter-relationship with Succession Duties.

(vi) We urge amendment to Estate Tax and Succession Duties legislation to avoid as far as possible the disruption of family enterprise in its administration, and

(vii) We recommended that no attempt be made to tax capital gains as such.

One other question concerning co-operatives merits special mention. For some years the Pool and the other co-operatives have tried on various occasions to acquire a National Co-operative Act but this question has not yet been settled in Parliament. While national co-operative enterprises have found alternative legislation under which to organize there remains a desire to have national legislation relating specifically to co-operative organization. Your support for this proposition would be appreciated by farmers throughout the West.

Mr. TURNER:

A Concluding Comment

We have attempted in this statement to tell you something about Saskatchewan Wheat Pool and its role among farmers in Saskatchewan. We have also discussed the position of the Pool and its farmer members about a number of public questions. From time to time during the statement we have mentioned

that farmers have attempted during the years to improve their position by taking individual and co-operative action and that on occasion have resorted to help from governments. It is fair now to say something about the farmers themselves and perhaps by way of conclusion to have a word about the importance of agriculture in this part of Canada.

About 39 per cent of the province's total labour force is engaged in agriculture and their output represents about 43 per cent of the gross value of commodity production. While agriculture's commodity output is increasing in absolute terms and still remains our most important industry the value of its output is declining relative to some other industries because the others are also increasing. In 1965, for example, agriculture contributed an estimated $790 million to the provincial economy while mining accounted for $270 million, manufacturing for $150 million and construction for $295 million.

A figure or two might help to give you some further idea about the importance of agriculture to the provincial—and even the national-economy, the most recent figures available are those for calendar 1964 but even these are impressive. In that year Saskatchewan farmers had operating expenditures totalling $322 million of which they spent $111 million for farm machinery and repair parts; machinery expenses included $61 million to operate tractors, $33 million on trucks and their operation and $26 million for the repair and operation of other farm machinery. They also spent $19 million to pay interest on their various debts, $18 million for lumber and hardware.

Changing technology and the shortage of labor have brought many changes in farming operations. An example or two from grain farming will suffice. Ten years ago a tractor with pulling power of 30 horsepower was considered a reasonable size and statistical tables did not even record tractors of more than 40 horsepower. In 1965, half the tractors sold in Saskatchewan were in the classification of 80 horsepower or more. A tractor of this size would cost something like $8,500.00. Increased size is evident in the machinery used to seed, cultivate, and harvest under today's conditions. And large machinery is expensive. It is not uncommon, for example, for one of the larger combines to represent an investment of $12,000 or more.

Mechanization has made it possible and economics has made it necessary for individual farmers to operate an increasing number of acres. Some grain farmers now manage from 1,000 to 1,200 acres with little or no hired help beyond their family members. The average farm size for the province was estimated at 685 acres by the 1961 census. The use of herbicides, fertilizers and improved cultural techniques has made it possible to increase significantly yields per acre as well.

The continuing pressures to expand acreage and other capital goods used in the farming operation together with the ever increasing operating costs help to explain the Western farmer's repeated call for increased sales volume and higher prices for his produce. Higher income opportunity is a very worthy incentive to bring about this improvement in the industry without reductions in living standards which for many are too low to begin with.

In recent months a number of farm organizations have come to the conclusion that increasing efforts must be made to identify anew the real problems which beset the farm and farmers, and, in at least some instances, to seek new policies and programs. In October 1966 the Ontario provincial department of

agriculture arranged a province-wide conference to focus attention on what the Ontario agricultural minister said was the need for courses of action "to ensure our efficient farmers a reasonable standard of living and an adequate return on investment and to ensure to the Canadian consumer and many others in the world top quality agricultural products."

This kind of approach was considered by the Saskatchewan Federation of Agriculture at its annual meeting in Regina in December 1966 and it was agreed to propose that the three Prairie provinces be asked to convene a similar conference to investigate production and marketing questions, farm income, rural adjustment and development, land tenure and transfer, transportation, domestic and international trade. The Western Agricultural Conference which met subsequently in Winnipeg accepted the proposal from Saskatchewan and agreed to convene a conference itself if the provincial governments did not undertake to do so. Now the matter has been considered on a national basis at the Canadian Federation of Agriculture meeting in Winnipeg two weeks ago and that meeting agreed to call on the federal government to convene a national conference on farm policy and invite representatives of all 10 provinces and others to take part in it.

We are keenly interested in this proposal, Mr. Chairman, and would commend it to the members of your committee as a worthwhile subject to include in your report to Parliament. It has become increasingly important that the country as a whole appreciate the problems of agriculture and that solutions advanced take into account not only provincial and regional requirements but also those of the entire country.

Sometimes individual farmers cannot solve their own problems by themselves. An increasing number of farmers ask co-operatives like the Pool to help them with on-farm problems and they ask the Pool to seek solutions for the off-farm problems as well. This is the reason we have welcomed the visit to Regina of this Standing Committee of the House of Commons. We welcome the opportunity to tell you something about our problems and to bring to your attention the range of solutions we think will best serve our farmer members and the industry of agriculture.

All of which is respectfully submitted.

The CHAIRMAN: We have asked the hotel staff to serve coffee, but we are going to continue the meeting while they are serving. We will try to arrange this so that it will be done as quietly as possible.

I want to thank you, Mr. Turner, for your presentation on behalf of agriculture. As a former director of a co-operative and a director of United Co-operatives in Ontario, I condone everything you have said about co-operatives and taxation, no matter what some other people in Ottawa may say.

Mr. Jorgenson is the first questioner.

Mr. JORGENSON: May I just say at the outset that I do not think that the Saskatchewan Wheat Pool need make any apologies for the length of their brief. They have brought to our attention matters of extreme importance to agriculture, and particularly western agriculture. They have given us a fairly good idea of the role of the co-operative movement of the Saskatchewan Wheat Pool on the

prairies. We can assure the Saskatchewan Wheat Pool that we will draw this brief to the attention of Mr. Byrne when we get back to Ottawa.

In many respects I agree with the contents of this brief, and particularly with the comment regarding the regulation under the Labour Standards Code. This stupid regulation should, in our opinion, be removed so that it will not add to the cost of handling grain in western Canada, as it is likely to do.

I want to limit my questions, however, to the aspect of the brief dealing with the Canadian Wheat Board and the inclusion of flax and rye under their jurisdiction.

You have stated, and on many occasions it has been brought to the attention of the government and the Canadian Wheat Board, that your organization would like to have these commodities included as part of the operations of the board. I wonder if you have any idea what percentage of the total number of farmers in Saskatchewan producing these commodities would be in favour of having them placed under the board's jurisdiction?

Mr. TURNER: Mr. Chairman, I cannot give you specific numbers in answering this question, but I do know that my farm is in an area that produces a great deal of rapeseed and I have not had any farmers indicate to me that they want to put up with the present system of marketing rapeseed. All the farmers who have mentioned this matter to me have supported the inclusion of flax, rye and rapeseed, and in this case particularly rapeseed, under the jurisdiction of the Canadian Wheat Board.

We suggested in our brief last year that if the government had any doubt about the desire, and the support, of farmers in this matter that they should, in fact, hold a plebiscite among the producers of these grains to determine what their feeling was?

Mr. JORGENSON: You would be in favour of a plebiscite to determine what the feeling is. Would you have any thoughts about who should be eligible to vote in such a plebiscite?

Mr. TURNER: Yes; we set this out in the brief, as well. We indicated in the brief that we did not think it was necessary but that if they wanted this sort of assurance we would support them on a plebiscite.

Mr. JORGENSON: I, personally, would be in favour of having a plebiscite, but I was wondering if your organization would be in favour—if a plebiscite were to be held—of limiting the eligible voters on such a plebiscite to those who actually produce these crops.

Mr. TURNER: Yes; we do not quarrel with this at all. In the brief that we presented we said that if there was to be a formal plebiscite, as the CFA resolution suggested, it was our view that it should be conducted by mail among those prairie producers who had grown rye, flax and rapeseed in any one of the three most recent crop years. We did not think it was fair to exclude a producer just because he had not grown it that year, because he may have had good reasons for not doing so—crop rotation, or something like that; but he had indicated an interest in these crops.

If there was to be an informal opinion poll it was our view that it should also be conducted by mail among all grain producers with a wheat board

delivery permit; that to get the general feeling about board marketing this would be a useful way of doing it.

Mr. JORGENSON: Mr. Chairman, there are many other facets of this brief on which I would like to comment, but I think I will let the questioning go to someone else.

Mr. MUIR (*Lisgar*): Mr. Chairman, just before you move on to another questioner may I ask a short supplementary? When the Labour Standards Code bill was brought into the House it was opposed by many of the western farm representatives because, for one thing, they did not know how it was going to be worked.

Subsequently, I think, it was learned—perhaps you can inform me on this—that if you change the name of your operator from an operator to a manager you could get away from this particular regulation. This would not apply to his assistant, but it would apply to the elevator operator himself. Have you any information on that?

Mr. TURNER: Mr. Chairman, with your permission, I would ask Wes Ball, the Manager of our Country and Terminal Elevators Division, who is in charge of our operations in this area, to comment on this.

Mr. W. J. BALL (*Manager, Country and Terminal Elevator Division, Saskatchewan Wheat Pool*): Mr. Chairman, we have no wish to exclude the helpers from coming under the code; it is the agent himself. I am not a lawyer, but I am told by our legal people that for us to simply change his title would not really mean anything.

I can argue with anyone, I think, that our agents are, indeed, managers. They set their own hours of work. They write cheques with only their signatures on them. Incidentally, some of us sitting at this table are signing officers with the company but in the office we require two signatures, as do most companies, as you know. Our agents and all other grain company agents sign cheques up to $30,000 or $40,000 with only their own signatures. They have the authority to hire and fire helpers, and this they do. I think they can qualify as managers; but I am told it is not just a matter of our calling them managers; it must be established in some fashion and accepted by those who are responsible for the labour law.

The CHAIRMAN: I think, Mr. Muir, to be fair on this, we are actually a little bit off the topic of wheat handling. You have asked supplementaries and Mr. Rapp wants to ask a supplementary. I do not know how many are going to get in on supplementaries. I have a long list of questioners here. Could we have one short summing up of your supplementary question, please?

Mr. MUIR (*Lisgar*): On a point of order; I have asked only one supplementary question. This does affect the handling of grain. What I have been trying to establish—and I think we have just about done it—is that this man who is on a salary, not on an hourly basis, should be qualified as a manager. If that is so, then he would not be affected under the labour-management code. Would you agree with that statement?

Mr. BALL: I certainly would.

Mr. RAPP: Mr. Chairman, my question is a supplementary to the question of

putting rapeseed under the jurisdiction of the Canadian wheat board. My point concerns the fluctuation of prices when the farmer is selling on the open market. This is something that the farmers would like to avoid by having rapeseed under the Canadian Wheat Board.

At the same time in our area, where most of rapeseed is grown—this is the Melfort-Tisdale area—they still think that there should be an agency that could go out into the world and find more markets for our product. This year there are 22 or 23 million bushels of rapeseed, and this could perhaps double in no time. We are concerned that the wheat board be in a position to send out some agents to find new markets in addition to the ones that are already established, such as Japan and some other countries. This is the problem we are concerned with. There is no question but that we would like to see the Canadian Wheat Board have jurisdiction over rapeseed, but these are the two questions that we would like to have answered.

Mr. TURNER: This refers to the average price?

Mr. RAPP: Well, the average price now on the market fluctuates, the same as rye and flax.

Mr. TURNER: This is one of the things, of course, that producers of rapeseed would like. They would like to have the average price of the year. They do not want to play this game of guessing when the market is going to hit the peak.

On your other question, about the personnel being available, I cannot see that this should interfere with wheat board handling. I am sure that there are people available who work for the wheat board and who could do an excellent job of breaking open foreign markets. I have noticed a figure within the last two days that indicated Canada was the world's largest exporter of rapeseed last year, with 13.6 million bushels.

Mr. RAPP: Of the rapeseed that we produced?

Mr. TURNER: Yes; we exported 13.6 million bushels last year. We were the world's largest exporter. This is becoming a very significant crop, not only to the producers but to the country as a whole. Producers certainly want to see the marketing of it stabilized, as it is with other grains.

The CHAIRMAN: I should inform you that Mr. Rapp claims that inventing this crop is one thing that Saskatchewan is famous for.

Mr. OLSON: Mr. Chairman, I would like to commend Mr. Turner and his organization on raising a number of agricultural problems and for giving us the benefit of their views on them. However, I am going to confine my questions to just two.

Mr. Turner, we have had some discussion previously about the difficulties that the terminal elevators encounter because of difference between the incoming grades and the export requirements. I am not going to go into all of the detail that could be raised on this topic, but I would like to ask if you can see any practical problem in your elevator agents complying with a uniform standard of grading that would allow the grades for the incoming grain to be the same as the standard set for export requirements when it is shipped out of the terminals?

Mr. TURNER: I would again ask Mr. Ball, who is in charge of this section of our company, to reply.

Mr. BALL: Mr. Chairman, over the years I have heard comment to the effect that the standard of grain going into the terminals is different from the outgoing standard. Actually, it has nothing to do with the grade that the agent is putting on the grain in the country. It is a grade going into the terminal and a grade going out of the terminals.

Someone has mentioned that the Canada Grain Act is presently under review and that a review of the regulations is being undertaken. I am hopeful that this will lead to fewer grades in both country and terminal elevators. But I do not think there will be any special difficulty whether it remains as it is or is changed, with fewer grades. I do not think it will affect the country elevator agent.

Mr. OLSON: Therefore, it is your opinion that the country elevator agent could, in fact, make the gradings on the same standards and make them sufficiently uniform that they could go in the same standards.

Now, Mr. Chairman, I have another point that I want to raise just briefly.

On page 22 you speak of rail abandonment. Mr. Horner the member for Acadia, has introduced a bill this session—and I introduced essentially the same bill in the two years 1963 and 1964—calling for an amendment to the Canada Grain Act that would allow the Board of Grain Commissioners to license elevators other than on-track or in a position to deliver grain directly into a vessel.

Do you see any areas in Saskatchewan where you could, in fact, maintain a good service to your members and to your customers by retaining a country elevator even though there was no railroad where the grain could be directly put into boxcars or grain cars?

Mr. BALL: Mr. Chairman, there was a time when our organization operated a country elevator off-track out of the town of Meadow Lake at Makwa and at Goodsoil. We have sold those elevators. The cold facts are that it is not practical, in my judgment, to operate an off-track elevator.

The Canada Grain Act provides the maximum elevation charges that we may charge at a country elevator, but we cannot charge it twice. If the farmer dumps his load of grain into an elevator in the country we can deduct from his payment the elevation charges, but we cannot deduct from him the additional elevator charge for hauling it in "X" number of miles and then handling it again through a country elevator.

An hon. MEMBER: You want the railway—

Mr. OLSON: Mr. Chairman, I—

Mr. BALL: The railway cannot haul it in because it is not located on the railway.

Mr. OLSON: Mr. Chairman, I agree that under the present regulations it would be difficult, but of course these regulations could be changed. I am trying to get your opinion about this.

If there are a number of points in Saskatchewan where the total requirement of input as far as resources for maintaining the rail line, would be substantially more than having trucks to move this grain from these elevators to

a mainline of the railroad, where it could be loaded directly into boxcars, perhaps through some kind of elevating system, would not the total cost to the whole economy be substantially less in some cases? That is, to have this done by highway transport rather than by maintaining a railroad line that had essentially nothing else to do out to haul some grain at certain periods of the year?

Mr. BALL: If the Canada Grain Act would allow us to make the additional charge. In other words, I think, the farmer who is hauling the grain and dumping it nearby, would have to bear the cost of continuing the movement into the rail line. It would have to come off this farmer.

If the regulations allowed the elevator company to make this kind of deduction, then for the grain that was taken in this could be handled.

I would remind you that in the cases where we did operate elevators, farmers would use the nearby inland elevator when it was convenient in the fall of the year at threshing time when they did not have time to haul it into Meadow Lake; but once harvest was over, those who had trucks would then, rather than take a reduction in their price, go all the way into the main centre with it themselves and the little elevator sitting out there would starve to death.

Now, this was our experience. What would happen in a different kind of an area, or in a larger area, I would not know.

Mr. OLSON: One final question, Mr. Chairman: Have you done any studies to find out what would be the cost of moving some of this grain by motor transport as compared with the cost of maintaining a branch line that did, as I said, essentially nothing but haul grain to the main line?

Mr. BALL: I do not think that we have made any comparisons here. We do know what it costs to truck grain; many farmers could tell us. Commercial truckers move a lot of grain into our systems. But whether we could compare this with the unknown costs of operating a railway line, I would not know.

Mr. OLSON: Thank you, Mr. Chairman. I will pass for now.

(*Translation*)

Mr. CLERMONT: Mr. Chairman, I want to congratulate the Saskatchewan Wheat Pool for the excellent brief. It is a very detailed brief. You will agree with me that it is not very easy to deal with it in so short a time. But I know, Mr. Chairman, that on page 25, the Wheat Pool of Saskatchewan, seems to be rather concerned about the Eastern feed grains agency which the Canadian Parliament has set up. It is concerned because this agency would be financed by the federal treasury. Would one of the representatives of the Saskatchewan Wheat Pool please explain why it is concerned about its being financed by the federal government?

(*English*)

Mr. TURNER: Our concern is that if it did come to an area of conflict between the agency and the Canadian Wheat Board the wheat board might well be the loser.

As we state in the brief, the costs of operating the Canadian Wheat Board are borne by the western agricultural producers who use the wheat board to market the grain.

(*Translation*)

Mr. CLERMONT: I understand your concern, the concern of your pool if the Eastern Feed Grains Agency were authorized to buy its supplies from outside Canada but that is not the case. It still is the Canadian Wheat Board which will have to authorize all the purchases made abroad.

(*English*)

Mr. TURNER: This is one of our areas of concern, that it may not remain as it is, in fact, today; that it may become within the power of the eastern grain agency to, in fact, go wherever they wish for feed.

(*Translation*)

Mr. CLERMONT: I believe that the idea of the Quebec Farmers Association was rather that they should get some protection during January and February because from time to time we go through a period of heavy increase and which they find quite unreasonable—they have experienced heavy price increases in feed grain and they cannot understand this. They consider these price increases unreasonable.

(*English*)

Mr. TURNER: Yes; well, I am not sure that the price increases can be charged to the Canadian Wheat Board.

Mr. CLERMONT: I do not say that, sir. What the Quebec farmers are criticizing is that during, say, January and February some increase occurred and they do not see the reason. They claim that all the time there are stocks available in warehouses. That is why they were asking Parliament for such an agency.

Mr. TURNER: Are these stocks that are held by the Canadian Wheat Board in eastern positions?

Mr. CLERMONT: No, sir.

Mr. TURNER: Or by an agency?

Mr. CLERMONT: They might be. I am not in a position to reply to this question. I do know that we receive a lot of complaints that at the end of January, February or early March, such increases occur, and the Quebec farmers cannot understand it.

The CHAIRMAN: I think Mr. Clermont means certain unwarranted increases in the price of grain during January, February and March.

Mr. TURNER: This would be partly because the supply would be limited at that time, and transportation is such that it is not easy to move large quantities down through the winter months after the lakes freeze.

Mr. CLERMONT: That is what makes it difficult for me to understand why the Saskatchewan Wheat Board should view this new agency with apprehension. I am sure you are aware that our users in Quebec are supporters of the Canadian Wheat Board.

Mr. TURNER: We really do not view it with a great deal of apprehension. In our brief we pointed out the greatest part of our apprehension.

We feel that it is a good move to organize the deliveries of feed grains into position in eastern Canada.

Mr. CLERMONT: In one of your paragraphs you say "We are familiar with the proposed Federal..." You are aware it is not just proposed? It is a fact today.

Mr. TURNER: I believe it has been set up, but has it gone into operation?

Mr. CLERMONT: No, it is not in operation but it has been passed by Parliament.

With respect to labour relations your pool is suggesting at page 19 a "court to provide compulsory arbitration where agreement cannot be reached in labour-management disputes in industries of special national importance." Then I read at page 12 that most of your personnel are unionized.

What would be the reaction of your staff to this suggestion on page 19 that a "court to provide compulsory arbitration" be established?

Mr. TURNER: The reaction of our own employees to this is not violent at all, because within the agreements that we have with our employees—we have about eight unions; but within the largest of them—we have a no lock-out, no-strike clause and it has seemed to work very well for us over the years. We have not always agreed on the terms of a new contract when we are bargaining for one, but we have sat around the table until one was reached.

It was because of the success of this within our own organization that we were led to suggest similar legislation, in fact, for all of Canada. We say here "industries of special national importance". By this we mean where labour disputes will often adversely affect an innocent third party.

(*Translation*)

Mr. CLERMONT: I refer, Mr. Chairman, to page 22 concerning the ARDA program. No doubt, the representatives of the Saskatchewan Wheat Pool are familiar with the ARDA program. The initiative must come from the provinces and not from the federal government.

Recently, we received from the Minister of Forestry a brief outlining the projects the federal government had signed with provinces over the years 1965-66 and these projects came to 365, one project for every day of the year.

As a federal representative, I would like from time to time, to see the initiative come not always from the provinces but once in a while from the federal government. You seem to consider that there should not be federal initiative but provincial initiative. The federal government pays 50 percent of the projects. Should not some of them be started by the federal government? Have you any comments or suggestions to improve this ARDA program; if you have any suggestions to make, make them now.

(*English*)

Mr. TURNER: I do not think it is important who takes the initiative so long as the job is done. This would be our general comment on it.

Mr. CLERMONT: You are also aware that it is very important that there is some local initiative?

Mr. TURNER: Yes, we are aware of this.

I would ask Mr. Phillips to read a statement that we issued on this.

Mr. PHILLIPS: Mr. Chairman, the reference was in a policy speech by Mr. Gibbings, the President of the Saskatchewan Wheat Pool, at the Pool's annual meeting in November past, in which he made a comment in general about the ARDA program and the question of poverty. He said: The wheat pool has long been of the view there is no single farm policy that will benefit all farmers. In the first place, the problems of all farmers are not similar. We made a general comment on poverty in our policy statement, which bears repetition by me in these remarks...

Then he quoted this passage from the annual report:

> Poverty is both relative and subjective and this is true whether poverty is rural or urban. Although there are objective standards for determining the degree of poverty, a man's opinion about his position relative to that of his neighbour is often more important to him than any outside measure. The pool considers poverty to embrace both inadequate education and poor health as well as the market-oriented factors having to do with standard of living, and there is ample evidence of poverty whatever the standard.

Having said this, Mr. Gibbings added: I sometimes get uncontrollably impatient when I ponder the absence of imagination and the lack of insight we sometimes employ in Canada in trying to grapple with these important social and economic questions. On the threshold of Canada's second century we seem to have no surefootedness about our approach to this kind of question.

Then finally: We have ARDA but it has done precious little to help the people it was designed to assist.

Mr. Chairman, there were three specific suggestions in the statement to you today which we have advanced as possible programs in the ARDA area.

Mr. CLERMONT: Mr. Chairman, my last question is: would the representatives of the Pool be willing to make any suggestions about what price the producer should receive for his wheat due to increase in cost?

We received suggestions in Calgary and again we have received suggestions this morning, but would the pool be willing to make any suggestion about what price the producer should receive for his wheat?

Mr. TURNER: We feel that it should be substantially more than it is, and we have advocated that the floor and ceiling of the international wheat agreement be raised by 40 cents a bushel. This would seem to indicate that we think that the price of wheat should go up approximately 40 cents a bushel.

Mr. OLSON: Is this for a three-year contract?

Mr. TURNER: No; we were going to do it all in one swoop. Oh, yes; for the three-year period of the IWA, if it is re-negotiated.

Mr. RAPP: The high and the low?

Mr. TURNER: Both the floor and the ceiling. This would raise the floor of the international wheat agreement to $2.02½ and the ceiling to $2.42½.

Mr. HORNER *(Acadia)*: I would first like to say, Mr. Turner, that the brief is a very good one. It is perhaps the best we have heard on this tour.

I commend you for your views on the Canadian Labour Code. As other members have said we pointed this out quite strongly when the code was being debated in the House. I urge you to continue to ask for a deferment after August 1st, and you will have assistance from the prairie members in Ottawa.

I would like to say, also, that I disagree with you on handling charges, but I am not going to question you on it now.

I would like to move on to the St. Lawrence Seaway tolls. We understand that they are going up 10 per cent. An interesting thing I have learned on this trip is that Vancouver is now in a competitive position. The Vancouver ocean freight rates are now very competitive with the St. Lawrence Seaway freight rates. How much higher can the St. Lawrence Seaway tolls go before it is cheaper to move all the grain to Europe through Vancouver ports?

Mr. TURNER: My impression would be that Vancouver is in a better position for shipping at the present time than is the Lakehead.

Mr. HORNER *(Acadia)*: Right now; and you would agree that in order to create a proper balance of our grain movement—half going to Vancouver and half to the east coast—we should strongly object to any increase in St. Lawrence Seaway tolls? Would you agree with that?

Mr. TURNER: Very definitely.

Mr. HORNER *(Acadia)*: If they go up too much they are going to create empty terminals in Fort William-Port Arthur and an over-supply of grain going to Vancouver.

Mr. TURNER: Well, it will put more pressure on to move grain through the west coast.

Mr. HORNER *(Acadia)*: Now, I could comment at some length, and ask questions, on very nearly any part of your brief—I think it is so good—but I would just like to refer to one particular part of it.

Near the end you say something about working towards price stabilization for the farmers, the removal of as much as possible of the risk in agriculture and the provision, if necessary of a cushion wherever possible.

Now, I know that the wheat pool is actively engaged in the livestock industry. This morning we toured the stockyards at Moose Jaw, which are owned and operated by the Saskatchewan Wheat Pool. I know that the Saskatchewan Wheat Pool invests a great deal of money in livestock.

Do you, as an investor in the livestock industry, see any degree of the risk to your investment being removed and any cushion being provided to you as an investor by the opening of live beef futures on the Winnipeg Grain Exchange?

Mr. TURNER: No. Would you like our official position on this?

The CHAIRMAN: I want to clarify this before the witness answers. You are speaking now about wheat inside the hides of cattle?

Mr. HORNER *(Acadia)*: It is as much in order as ARDA was. We had a lively discussion on ARDA. I think this is just as important, because the wheat pool is actively engaged in the livestock industry.

The CHAIRMAN: I just wanted to clarify it.

Mr. TURNER: Our concern, Mr. Chairman and Mr. Horner, in our involvement in the livestock industry, is to assure the producer of the best possible price for his head of stock when he takes it to market. We do not have an investment in livestock, as such, but only in livestock facilities to provide a market for the producer.

Mr. HORNER (*Acadia*): You do not extend guaranteed loans to farmers?

Mr. TURNER: We guarantee loans that are extended by others—the Saskatchewan Co-operative Credit Society and some credit unions. But we do not have any Pool dollars financing cattle in the province.

Mr. HORNER (*Acadia*): As I sat and watched cattle go through the ring this morning I noticed a wheat pool buyer buy a parcel of cattle.

Mr. TURNER: In the marketing process, we do; but not in the growing or feeding process.

Mr. HORNER (*Acadia*): Just to summarize this and to clarify my position and yours, you do not believe, as an investor in the industry, that live beef futures on the Winnipeg Grain Exchange will remove any of the risk or provide a cushion?

Mr. TURNER: No, we do not. We do not see this as being in the best interests of our farmer members.

Mr. HORNER (*Acadia*): Well, I am not talking about farm members. I am talking about the investor in the industry.

Mr. TURNER: I was trying to get across that we do not, in fact, have dollars invested in anything other than the marketing agency within the industry. We do not buy cattle on speculation with a view to making a dollar on them. We buy only to stabilize the market.

Mr. HORNER (*Acadia*): This is the impression I got. I would now like to deal with rail line abandonment.

The question has arisen with respect to the licensing of off-track elevators. Are you aware that the railroads have moved grain from on-track, licensed elevators by truck because they have found it cheaper than using their railway track? Are you aware of this happening on the prairies.

Mr. TURNER: This just recently came to my attention. Mr. Phillips is closer to this question—

Mr. PHILLIPS: I understand, Mr. Chairman, that this has been tried in one instance in Alberta, which I am not at liberty to discuss in detail. We are aware that the railroad is in fact providing the truckage.

Mr. HORNER (*Acadia*): If they are moving into the trucking business why rigidly control them and force them to use railways if they want to use trucks? This is, in a sense, what we are doing when we say that we will not allow a licensed elevator anywhere except beside a track. We should be able to say that we will allow a licensed elevator beside a paved highway, should we not?

Mr. PHILLIPS: If I may, say so, Mr. Chairman, the difference between the situation I have just cited and the one which Mr. Ball cited is that in the

experiment in Alberta the farmer loses his control over the grain the instant he delivers it in the first elevator.

Mr. HORNER (*Acadia*): That is right.

Mr. PHILLIPS: —and the transportation community then takes it to the second one and the railroad tracks. The situation that Mr. Ball was talking about was where it was the responsibility of the farmer to pay for the costs of putting it on the railroad train, which happened to involve truckage. His point was that whatever the rate of truckage charged to the farmer when he delivered at the first point, over time and during certain seasons of the year he elected to take it himself the full distance because he thought he could do it cheaper. Now, whether he could or not does not matter. He thought he could and the house that was off-track was out of business.

Mr. HORNER (*Acadia*): Because of the transportation bill and for other reasons I would think that in Saskatchewan—and this is just an approximation —there are up for abandonment something in the neighbourhood of 1400 miles. Now, all that trackage may not all be abandoned but probably quite a bit of it will between now and 1975.

As an organization serving farmers do you not think that you could present sound argument that some of your licensed premises should be allowed to continue to be licensed even after the track is removed if the railroad can just as cheaply, or more cheaply, haul that grain out by truck than it could by rail? Do you follow me?

Mr. TURNER: Yes, I think I do on this one. This would be something that we would have to look at figures on.

Mr. HORNER (*Acadia*): Well, I do not know the figure offhand, but going back to the famous grain movement speech made by Mr. Gordon, he said that a thousand boxcars of grain can be moved a distance of 50 miles—my figures may be out a little—more cheaply by truck than by rail. Why should we force the railways to move it by rail by only allowing you, as collection agencies, to gather only on a railway track? Why should we not allow you, as collection agencies, to gather it beside a highway?

Mr. BALL: Well, Mr. Chairman, why have a collection agency, as you call it, or an elevator away back there in the old farming community if it has to be trucked to the railway eventually? Why not have either the railway truck or the commercial truck go out to the farm and get it and take it all the way in? Why have two handling charges?

Mr. HORNER (*Acadia*): Let us look at it this way. The most economical way to move grain is in volume. There are trucks being produced that can move from 800 to 1,000 bushels of grain in one load. For many farmers a one bushel quota would not allow them to sell more than, perhaps, 300 or 400 bushels. It would not give them an economical load, and you want at all times to maintain a low cost of production. If you force the farmer to haul it that extra 30 miles then you are creating a disparity between the farmer living close to the main line and the farmer living in the outlying areas or what may become an outlying area but is not now. Therefore, I say let us licence that elevator if there is a good road.

Mr. BALL: My only reason for saying anything at this time is to point out again that you will have double handling costs—double elevation costs—if it has to go through one elevator and then be trucked out again into another one. Even if the act is amended to provide for this, you will have an extra 4 or 5 cents a bushel charged against that wheat.

Mr. HORNER (*Acadia*): You may, or may not.

Mr. BALL: Well, it has to come from somewhere. There is not enough margin in the handling charges, and if it is going to mean another 4½ or 5 cents against the wheat—

Mr. HORNER (*Acadia*): I think I am going to drop that.

I realize that first of all you have to have elevator space in order to get the grain off the farmers' fields. Many, many millions this fall were stored in adverse weather conditions. This is one of the prime requisites and this is why I argue that we should licence these elevators even after the track is removed. With economical trucking there is no reason why we should not. The cost may be up to the elevator company, and it may even be up to the railroad, but we are trying, and you should be trying, to keep the cost to the farmers down.

I have one other question and then I am going to pass, Mr. Chairman. On page 33 of your brief you suggest a conference similar to the one held by the prairie provinces. You suggest that it could investigate production and marketing questions, farm income and rural adjustment. Do you not think that this conference could encompass the whole agricultural picture to try to ascertain how best we can use our natural environment to provide for ourselves; not necessarily the marketing of what we are producing now, not necessarily the income on what we are producing now but the whole scope of agriculure; to see how best we can allocate our production through a system of inventives rather than of controls?

Mr. TURNER: This is really what is suggested for the conference. It is suggested that it take a comprehensive look at all phases of agriculture.

Mr. HORNER (*Acadia*): That is fine; because I firmly believe that we should not, in this country which is rich in soil and climatic conditions, be importing something like $800 million worth of agricultural produce which can be produced in Canada.

I wholeheartedly support the idea of an over-all conference to create incentives for the better use of our natural environment of land, water and sun—a rationalization of agriculture.

Mr. HOPKINS: How many new elevators have been built at country delivery points? Most of the ones we have seen appear to have been there for a number of years. Are you building any new ones?

Mr. BALL: We are building 20 new elevators this year. If we should be so unfortunate as to have a fire or two these would be rebuilt, of course; but we have plans on the drawing boards now for 20 new elevators, replacing old ones.

Mr. PETERS: May I ask a supplementary question? Where you are faced with changing trackage can you move the small elevators?

Mr. BALL: We can move elevators that are in good, sound condition. Some of our elevators, I may say, are older than you are, and some of them are older than I am. Those elevators that are older than I am we cannot move. Those that are about your age we could probably move.

Mr. HOPKINS: Where are these new elevators being built. Are they widespread or regional? I think you have answered that, because you said that you were mainly replacing ones that are now in existence.

Mr. BALL: There is one being built at Pense. We passed it this morning on the way to Moose Jaw. Sometime soon we will be rebuilding there. We have not allocated them all as yet.

Mr. HOPKINS: You mentioned to us that there are quite a number of acres—I believe the Minister of Agriculture mentioned some 300,000 acres—of new productive land coming into operation. Are you not moving into these areas with elevator building?

Mr. BALL: I would not think, Mr. Chairman, that there is any big block of new virgin land coming in at any particular station in the province. I think it is coming in in small lots. This will produce new grain, all right, but there will not be any great volume at any one station.

We do watch the statistics on deliveries at every point. We get reports from our own travelling superintendents on new land coming in. We watch this as we build and rebuild.

Mr. HOPKINS: Do you meet with any success in trying to bring the old elevators up to date, or do you pretty well have to construct new ones in order to bring in new equipment and new ideas?

Mr. BALL: We will be spending this next year well over $1 million on repairs. Some of this is major repairs particularly on land that may be abandoned within the next few years, where we try to avoid new building; we go in and do a major repair job and keep them going for another five or ten years.

Mr. HOPKINS: We have heard a great deal about the shortage of boxcars. Have you met with serious problems in this regard? I do not recall this being mentioned in your brief, but perhaps it was.

Mr. BALL: Yes, Mr. Chairman; every year for the last 10 or 12 years, since we have had stocks of grain backing up in the country, almost at any time we could say that we were having trouble at some station. At the present time, of course, there is an embargo on shipping grain to the head of the lakes because the terminals are filled. There is a limit to what can be shipped west, and many of our elevators at this very moment are congested.

It is something that we work on all the time with the Canadian Wheat Board and with the railway companies. We seem to live with it even though some areas are worse than others. We do have problems at almost any given time of the year.

Mr. HOPKINS: On page 17 of your brief you mention the Canada Labour Standards Code and the problem you are having with it. How do you justify the fact that you should be working overtime if, at the same time, you do not have the boxcars with which to work? Is there a conflict here?

Mr. BALL: I could name a station where we handled between 600,000 and 700,000 bushels of grain through one old elevator last year. Periodically through the year we were short of boxcars. We were congested and could not move. Then we would get a string of boxcars in and the man with his helper would have to work tremendously long hours.

Mr. HOPKINS: You meet with this problem on individual elevators rather than in a general sense?

Mr. BALL: Yes; but we get enough individual elevators in this predicament. Our average handling last year was 247,000 bushels, I think, per elevator. Many of our elevators handled over half a million bushels.

I should tell you that in addition to the basic wage we do pay a commission per thousand bushels after it gets to a certain level. The agents like this.

In addition to that, we are in farm supplies and the agent puts in some hours on most days in trying to sell chemicals, fertilizer, twine and so on. If we get to the point where we have to close our elevator off and say to him: "We are not going to allow you to work overtime, you will have to lock up at five o'clock", these do not happen to be the same hours that the farmer works when the weather is good. So in all logic we would have to let the fellow work longer hours in good weather, and he would have to send his time sheet in to us, because we could not supervise it.

Mr. HOPKINS: I am not familiar with all the branch lines that came under discussion during the transportation bill. Presumably these are lines that are not paying, and this would indicate that elevators on some branch lines are not doing much business.

Are you operating any elevators on branch lines at a loss at the present time?

Mr. BALL: We probably have some. We have some elevators that handle less than 100,000 bushels a year, and some considerably less than that. Quite frequently we have one agent operating two elevators in two different towns. He spends two days at one point and two at the other. But just because our railway line is not paying does not mean there are not one or two good elevator points on that line, where there is a lot of grain. As far as the grain company is concerned we have good handling.

Mr. HOPKINS: The key question is: what do you think the world price of wheat should be?

Mr. BALL: I would refer this to our vice-president.

Mr. TURNER: As I stated earlier, I believe we would be quite happy with a 40 cent increase over the present levels.

Mr. ASSELIN (*Richmond-Wolfe*): This is the world price?

Mr. TURNER: This is what we are talking about—raising the floor and ceiling of the International Wheat Agreement.

Mr. HOPKINS: You feel we could still compete favourably on the world market with a 40-cent increase?

Mr. TURNER: Yes. This, of course, is where you have to draw the balance. We know that our good Canadian wheat can command a premium over a number of

the softer wheats in certain areas of the world. However, I believe that if the floor and the ceiling of the International Wheat Agreement are raised by a substantial amount this would create the atmosphere in world trade for a nice increase in the price of a bushel of wheat.

Mr. HOPKINS: What do you think the initial payment for wheat should be?

Mr. TURNER: The initial payment should be set so that the wheat board can carry out sound pooling practices. We have not strongly advocated that the initial payment for wheat ought to be raised, because this would not really result in any more money being paid back to the producer, in the final analysis; in fact, it may result in a somewhat lower final payment because the wheat board would then have to borrow more money to finance and their costs in carrying the pooling operation for a year would be higher. If you want to raise it 10 cents or so a bushel, that is fine, but we are not too dissatisfied with it where it is today.

Mr. HOPKINS: That is all I have, Mr. Chairman. Thank you.

The CHAIRMAN: Yesterday the Alberta Pool suggested, Mr. Turner, that the initial payment should be raised. I think they suggested 38 cents, was it?

Mr. CLERMONT: In answer to a question I asked they said they saw perhaps an August payment.

The CHAIRMAN: Well, if you will remember, a suggestion was made for a payment somewhere between 28 cents and 35 cents, or something like that. I think the Chairman probably listened more closely than anyone else, because I have to listen to everything that is said. I am quite sure that that suggestion was made.

Mr. HOPKINS: I believe they said, Mr. Chairman, that actually everyone would like to have 50 cents, but that in spite of the quality of the grain they had to look at it in a practical sense and compete on the world market. The fifty cents was not a practical suggestion.

Mr. TURNER: We looked at some figures recently, when the final payment for a bushel of wheat was announced, and it ranged from 45 to 50 cents, roughly, depending on the grade.

If you look at the average commercial farm in Saskatchewan the last census figure seems to indicate that the average-size farm is 500 acres. Now, it would not be reasonable to expect that the farmer would crop more than 300 acres of this to wheat. In fact, he probably would not crop more than 300 acres, in any case. But if he did put in 300 acres to wheat and he were fortunate enough to get the long term average of 17 bushels to the acre, he would then have available from his farm 5,100 bushels. That is over 5,000 bushels of grain for sale. Now, if you take the final payment, the average weighted payment that this would mean to the farmer where he markets his grain at the elevator point would be in the neighbourhood of $1.70 a bushel. This would give him an income for his farm operation of about $8,600. But, if you look at the average production costs, as revealed through farm management studies in the province, they work out to about $22 per acre. So, out of this he would have expenses for operating his farm of about $11,000. The return he would get from the average crop at last year's

average price for wheat would be $8,600, or almost $8,700. Therefore he would be short on meeting his operating costs by some $2,300.

The only reason for the situation not being like that today is that we have been blessed with well above average crops over the last two or three years. But nature has to be kind to us, in spite of our increased productivity, in order to continue this.

The farmer has done one of several things. He has either sacrificed his own living return, or he is utilizing the depreciation on his equipment to pay operating costs and provide a living. Therefore, we think that just on hard, cold, economic facts the average producer in Saskatchewan has to have a substantial increase in the price of wheat.

You cannot take last year, 1966 production, and hold it up and say that everything is all right. Sooner or later the averages are going to exert themselves and we will be caught with it. We are almost 10 bushels an acre over last year's average. Next year we might be 10 bushels an acre under. If we are, there are a good many farmers in this province who would be in very dire straits indeed.

Mr. SCHREYER: Mr. Turner, I heard you say that the Saskatchewan Pool, as an organization, did not have any strong views about the matter of initial and final payments. I will ask if you can give one good reason why the initial payment should not be increased to a level where it approaches very closely the IWA floor? Is there some good reason for not making this increase?

Mr. TURNER: When I said that we did not have any strong views on this I meant that we have strong views on what the final payment ought to be but not necessarily on the initial payment. We would not argue very strongly for or against it. We are concerned with the total return to the producer, not necessarily the way it is apportioned out through the year.

Mr. SCHREYER: Mr. Chairman, if you will allow me one more question I will forego my allocation.

Mr. Turner, with respect to the matter of grain handling facilities at the country elevator, has the Saskatchewan Wheat Pool made a study, or hired experts to make a study, of the feasibility of rationalizing the country elevator system, of reducing the numbers and of trying to make a complex out of each one that is established so that it can go in for more refined cleaning, seed treatment and so on? Has such a study been made, and are you at liberty to tell us what the findings are?

Mr. TURNER: Mr. Chairman, this is something that we have under review at all times. Once again I would refer this question to Mr. Ball who is directly connected with this particular area. And to Mr. Bob Philips, as well. He has been doing a good deal of the research on this.

Mr. BALL: Mr. Phillips, who is the head of our research department, has been working very closely with management on these kinds of questions, delivery patterns and so on. I think this is what you have in mind. I wonder if you would make some general comment, Mr. Phillips?

Mr. PHILLIPS: Mr. Chairman, I will make just one or two general comments. There was an address referred to earlier, made by a former railroad executive.

This has given a wrong view of the grain handling industry. The suggestion made in this address, which was given some years ago in Winnipeg, was that the grain industry really had not changed its techniques or facilities since the year one, and that if it really were to do something about cleaning up its house the railways would not have all the problems that they have. This is the view that some people have of this statement, and your question suggests you may have a view of this type, sir. This is not true.

The industry has changed very greatly in the size of its houses; and Mr. Ball can give you some figures on this; but there are marked changes in the size; there are marked changes in the size of the loading ramp, as you saw this morning, and in its ability to handle a load; there are today's trucks compared to yesterday's horse-drawn wagons; there are vast changes in the speed of the elevation device which takes the grain to the top, both for binning and loading onto boxcars. We now have elevators that have two of these legs going at the same time so that we can take grain in on the driveway side and expel it on the other side to a boxcar for two different places.

There are some places where we have build considerably larger elevators than the area would appear to be able to use in terms of deliveries today, in the hope that some consolidation will arise out of this. The word "consolidation" in the elevator industry has been in the vocabulary for a great number of years. It is progressing at a much faster rate now than it was a decade ago. These are sort of general comments. The figures would not really help.

If I might amplify, the industry is considering a number of new designs. For example, we did a number of studies on places where elevators might best be located compared to where they are now. In most towns in Saskatchewan the elevator is in the middle of the main street. We have looked at the possibilities for alternative locations more closely related to better highway traffic, and some of the new elevators are placed with this in mind rather than with the main street in mind.

Therefore, the whole question of changes in the pace of the grain industry is very much a part of our thinking, and is happening today and was happening yesterday; and there are other changes for tomorrow.

Mr. SCHREYER: I just want to say, Mr. Chairman, that I certainly am aware of the changes, and I am impressed. I do not want to be misunderstood. I am not suggesting that consolidation and improvement generally in the facilities have not been going on, but I had heard in a somewhat apocryphal way, by way of rumor that a formal study had been commissioned by the Pool and that a set of recommendations or findings had been made on the rather drastic consolidation of country elevator sites and structures. I do not want to pursue it further here, because I am not really sure of my source. However, that is why I asked the question.

Mr. PHILLIPS: If I could make a comment, Mr. Chairman, I might just say that some two or three years ago some professional engineers who were in the business of selling their service produced a proposal which would have changed very greatly the number of elevator locations throughout the west. This got some display in the public notice. They sought to become engaged by some firm in the grain industry, but they did not succeed.

Their proposition would have reduced the total number of delivery points in Saskatchewan from the existing 1,100 to 1,200 down to something fewer than 100. This was a proposition meant to convince a person who would engage a consultant that they had a technique of use to us. We did not engage them. This is probably where your story came from. It was not a study that was done for us at all, or for anyone else.

Mr. SCHREYER: Would you say that those who are aware of this report regard it as lacking entirely in practicability? There is no immediate intent even to approach this series of suggestions?

Mr. PHILLIPS: I think the president and the manager would agree that a change of this magnitude is simply not contemplated.

Mr. RAPP: Mr. Chairman, I just have a short question.

No mention was made in your brief about the Port of Churchill. The Hudson Bay Route Association and the farmers in northern Saskatchewan are continually coming out with statements that had the port facilities been improved, and had more use been made of the fresh water from the rivers that flow into the Hudson Bay it would, perhaps, have had the effect of extending the navigation season and would have given us a better chance to export much more grain from Churchill.

Mr. TURNER: Our position on this is that maximum use should be made of the Port of Churchill, consistent with marketing opportunities and procedures and this sort of thing. We think that the maximum use should be made of that port because of the economies that it will effect for the western grain producer.

Mr. RAPP: When the Russian delegation was here they went up and looked at the facilities and thought perhaps that they could make use of the port of Churchill.

The CHAIRMAN: I would like to ask one question. In your brief you mention that Saskatchewans are noted for being free-traders. I think we all like to think of ourselves as being free-traders. Yet, also in your brief, you worry about the eastern feed board importing cheap grain.

Would you care to comment on this? What is your concern? Do you want a tariff on this cheap grain that is being imported from somewhere else in the world, or an embargo, or what?

Mr. TURNER: This is really not our concern. Our concern here is one of the conflict that might arise between two agencies that are in almost the same field. We have not taken a strong position at any time on the level of tariffs that ought to be assessed against grain and grain products.

The CHAIRMAN: On behalf of the Committee I would like to thank the officials of the Saskatchewan Wheat Pool, especially Mr. Turner, Mr. Phillips, Mr. Ball and Mr. Wright, for appearing before the committee this afternoon and for the capable way they have answered all the questions that were put to them.

We know that all the information will be thoroughly re-examined before the Committee makes its report to the House.

There have been several references to report that your organization has. On behalf of the committee I do not think that I would be taking too much upon myself if I asked you to submit those, so that we can have them for further perusal.

Perhaps we should have them printed as appendices. Is that agreed?

Some hon. MEMBERS: Agreed.

Mr. PETERS: Mr. Chairman, they also mentioned a study that had been done in Alberta, with which they were familiar. Do they have information available on the cost per ton mile of hauling grain that is being undertaken there by Canadian Pacific road transport?

Mr. PHILLIPS: This is in Alberta, where the railway company is carrying grain by trucks. I do not know the details, and I doubt whether we would be at liberty to make them public if we did have them. I think you should ask someone else, sir.

The CHAIRMAN: Thank you very much for attending before the Committee.

We have one other witness who has been waiting very patiently. He is the mayor of the city of Moose Jaw. Should we hear this brief now, or have Mr. Lewry—

Mr. OLSON: Mr. Chairman, I would like to suggest, if it is convenient to Mr. Lewry, that he be transferred to the evening session.

Mr. JORGENSON: Mr. Chairman, I spoke to Mr. Lewry about this. He apparently has a meeting at eight o'clock, and it would be impossible for him to appear this evening. He also suggested that he would be quite willing to have the brief tabled, and that if there were any questions he would answer them.

The CHAIRMAN: In fairness to the mayor I think we should have him before the Committee if he cares to make a statement at this time. We can certainly have the brief printed as an appendix.

Mr. Louis H. LEWRY (*Mayor, City of Moose Jaw, Saskatchewan*): First of all, Mr. Chairman and gentlemen, I want to thank the wheat pool for their kindness in making sure that the House of Commons committee saw the best part of the province first by taking them to Moose Jaw. I can assure you that I heard from your brother, Mr. Chairman, that you were the black sheep in the family and I had the police department looking out for you while you were there.

The CHAIRMAN: We saw them.

Mr. LEWRY: I am prepared to table this brief, but it is a very short one, and if I may read it I believe it would take me less than five minutes.

The CHAIRMAN: All right.

Mr. LEWRY: The City of Moose Jaw, Saskatchewan's third city in size, and still the province's most industrialized city per capita, remains dependent on the surrounding agricultural trading area for its prosperity.

The trading area expands to a radius around the city, encompassing some 140,000 people, including those living on the wheat-producing and cattle farms, and in the smaller urban centers.

The prosperity of the city of Moose Jaw can be related directly and is dependent upon the similar prosperity of the farming area which surrounds it.

It is with this knowledge that in this brief I wish to present my feelings that it is undeniably necessary that the city of Moose Jaw assist our neighbors in the trading district to maintain a standard of living equal with those of us who live in the larger urban centers.

We feel that with the increasing costs of farming production coupled with the stable prices of the produce of the farms, it is absolutely necessary that the city dweller and the farmer co-operate to maintain a common standard of living.

We are dependent upon the wheat trade—the export of wheat from Western Canada where the highest percentage of Canada's grain production comes from.

In the past few years we have witnessed increasing costs levied against the primary producer by way of increased costs of farm machinery and the lessening of service to the farm producer.

The abandonment of railway lines, in particular, is contributing to these increased costs of the farmer.

The farmer receives approximately $1.80 per bushel of wheat from the alleged $2.00 per bushel price. The rest of the price is made up of freight and handling charges. But when he buys—puffed wheat as an example, for his breakfast table—he will pay about 45 cents for an eight ounce package—or 90 cents per pound. This, with simple arithmetic, would amount to about $55.00 per bushel—when he has to buy it back as processed food.

Your Committee will receive many briefs outlining the increasing costs which farmers are facing and it is not my intention to try to interpret or enlarge upon such briefs.

It is my intent to suggest to this Committee that you can do a service to Western Canada residents, both rural and urban, by recommending to the Government that many millions of dollars are necessary to research a solution to the outmoded method of handling both the products of the farm and our increasing potash and oil development in Saskatchewan.

I noted with interest a report from the Engineering Institute of Canada which recommended that the government support applied research to a much larger extent than has been evident in the past.

With this recommendation in mind, I would urge that millions be spent on research to provide a new method of handling the increasing wheat production of Western Canada and Saskatchewan in particular.

The costs of handling by today's conventional methods—the railways—is costly and inefficient when considered in the light of modern methods which could be available by the construction of commodity pipelines.

I know that such pipelines were the subject of an enquiry in Saskatchewan in 1964 and at that time apparently were rejected. I feel that research should be made to fully explore the feasibility of such pipelines to move wheat from the hundreds of small centres in Saskatchewan which now are seeing the grain elevators become obsolete, as well as the movement of potash.

There have been papers prepared on capsule pipelining within recent months. One noteable paper was prepared by Mr. G. W. Hodgson of the Research

Council of Alberta, less than a year ago. Mr. Hodgson has prepared papers also on the pipelining of potash and these papers make interesting reading and I am sure your Committee would be well-advised to obtain copies of these articles. Mr. Hodgson has advised me that he has worked for the past ten years on the development of capsule pipelining in all of its manifestations.

It is my suggestion that if the railways wish to get out of the railway business, that the future of our wheat producing areas will depend on the development of a pipeline which could connect the centers which now have grain elevators, to the larger centres including Moose Jaw, where large storage facilities are available. I am suggesting that pipelining will assist the retention of the farmers in the smaller centres of the Province and at the same time cut the costs of storage and transportation to the farmer. I repeat that research should be undertaken on a large scale to prove the feasibility of such a scheme.

If I may, Mr. Chairman, suggest that we in Saskatchewan also have an expert in the pipeline business. Mr. D.B. Furlong, now General Manager, of the Saskatchewan Power Corporation, had extensive experience in the pipeline business prior to his appointment to his present post some two years ago.

You also know, of course, of Bill S-36 which was passed by the Senate in June of 1966 but which still has to be considered, I understand, by the House of Commons. I am told that there are divergent opinions on that Bill.

In summary may I say that my sole suggestion in this brief is that your Committee consider a recommendation for extensive research into more modern methods of movement of the wheat produced on these Western Plains with the one thought in mind of increasing the standard of living of the wheat farmers in particular and all of Western Canada in general. Progress through research.

Thank you very much.

Mr. LEFEBVRE: I just want to ask you one question, Mr. Mayor. You say that you would like to see research undertaken. In your opinion, would you keep the same number of elevators but move the grain by pipeline rather than by rail?

Mr. LEWRY: This is the idea. I think the wheat pool indicated earlier that they have had to move some elevators because of the abandonment of lines. Now, the railway has said that they want to get out of certain parts of the transportation business. If that is the idea, let us put them out of all of it. They could not care less, as far as the individual farmers are concerned, because they have a complicated method of closing the stations down where there is no business given to the residents of the area. Now they are abandoning the lines, and this is increasing the cost. I am suggesting that if they want to abandon the lines, let us co-operate with them and replace them with pipelines.

Mr. LEFEBVRE: But, you cannot see any reason for having regional elevators. They already have done some research, by people who said they should only have 100 elevators rather than 1400 or so. Do you think they should keep all the country elevators but say to heck with the railroads and build pipelines.

Mr. LEWRY: This is where the increasing cost is coming in. The railways want to have an open—

Mr. LEFEBVRE: What I am getting at is that some of these elevators were built 40 to 50 years ago when we had no highways or trucking facilities as we

have today. Do you think that in the course of evolution some of these country elevators should be by-passed and regional elevators built.

Mr. LEWRY: They are being by-passed to a certain extent. The wheat pool and other elevator companies have had to move them because of the abandonment of lines. I am suggesting that the elevators could remain there as storage facilities but that the wheat be moved by means other than the railway.

Mr. COMTOIS: Do you have any idea of the cost of such pipeline, sir?

Mr. LEWRY: No, I have the papers from Mr. Hodgson, which I am willing to file, but I only have the one copy.

Mr. COMTOIS: All you have is the design.

Mr. LEWRY: I believe there was a suggestion that about 1964 the commodity pipeline under consideration at that time was in the neighbourhood of $59 to $60 million in Saskatchewan; but I am thinking of smaller, regional lines to join to central storage depots.

Mr. COMTOIS: It is just the main line that would cost $60 million?

Mr. LEWRY: Something like that.

Mr. OLSON: Mr. Chairman, I have one question for Mayor Lewry.

This is not related to your brief, but could you tell me what was the major contributing factor to the closing of the Robin Hood Flour Mill in Moose Jaw?

Mr. LEWRY: The major contributing factor as we were advised by the company both in Minneapolis and Montreal was that the overseas market for flour had diminished because the former importing countries had constructed their own flour mills and were now importing wheat.

Mr. OLSON: They did not tell you the equipment in the mill was obsolete compared to new mills, and that the cost of using this equipment was now...?

Mr. LEWRY: We investigated this. The equipment in the Robin Hood flour mills in Moose Jaw and in Saskatoon, which was the only comparative one we had in Saskatchewan, was identical.

Mr. OLSON: Compared to a new mill in some of these other countries?

Mr. LEWRY: I am not even sure of this. I do not know. We were told they had moved some of the equipment from the Moose Jaw mill to other centres.

Mr. OLSON: A final question: Are they using the storage available at that elevator for grain, or is the whole plant shut down?

Mr. LEWRY: Oh, no; the elevator is being used for storage, as I understand it.

The CHAIRMAN: Do you know to what extent?

Mr. LEWRY: No, I do not. I know there was some mention made about the government elevator in Moose Jaw. I heard last week that they are going to use this for storage, as well. It has been used in the past. They are going to re-use this for storage. I think there was some mention, also, Mr. Chairman, of the old bridge that you saw in Moose Jaw this morning.

The CHAIRMAN: I wanted to know what that was for.

Mr. LEWRY: This bridge was built, I believe, in 1912 and was abandoned in 1948. It is very narrow, as you may have noticed. Now we are in the predicament of trying to build a bridge halfway between that one and the one that is heavily overloaded. The bridge has just rotted away.

Mr. ASSELIN (*Richmond-Wolfe*): I have one question, Mr. Chairman.

You base this recommendation on what qualification? Are you an engineer, or are you just going by the studies made by others?

Mr. LEWRY: I am, as you are, sir, a politician.

Mr. ASSELIN (*Richmond-Wolfe*): I gathered that from this report.

Mr. LEFEBVRE: Is this brief from the city of Moose Jaw or is it your own.

Mr. LEWRY: It has been approved by the city in this sense, no.

Mr. ASSELIN (*Richmond-Wolfe*): I would like to ask if any other groups have made this recommendation besides yourself?

Mr. LEWRY: Not that I know of, no.

Mr. ASSELIN (*Richmond-Wolfe*): You are the only one that has done this.

Mr. PETERS: Mr. Chairman, has any consideration been given by the potash plants which use the liquid mining method to using a pipeline process for moving it before it has solidified again?

Mr. LEWRY: There may have been; I have not heard of it.

The CHAIRMAN: What other materials, are you aware, are moved by pipeline?

Mr. LEWRY: The reports I have read from the research council mention almost anything from wood pulp to coal—any solid.

Mr. SCHREYER: Mr. Lewry, have you reason to believe that the two gentlemen you mention in your brief, Messrs. Hodgson and Furlong, are just as optimistic about the future prospects of pipeline transportation as you are?

Mr. LEWRY: I think, from reading his reports, that Mr. Hodgson is. I have not consulted Mr. Furlong, but I know that he has a long history of pipelines —mostly oil and gas.

Mr. ASSELIN (*Richmond-Wolfe*): Are you a farmer as well as a politician?

Mr. LEWRY: No.

Mr. ASSELIN (*Richmond-Wolfe*): That is one advantage I have over you.

Mr. LEWRY: My wife is the farmer in our family.

The CHAIRMAN: Are there any other questions?

Mr. PETERS: You mentioned Bill S-36. Although I am not familiar with Saskatchewan I am familiar with the terms of Bill S-36. I believe that the Shell Oil Company is putting up $50 million in this bill for research into commodity pipline movements. Is this in this area?

Mr. LEWRY: Not that I know of, no.

Mr. PETERS: Do you know where it is? As I understand it, it is going to move sulphur and oil as a slurry.

Mr. LEWRY: I am not aware of the location of it.

The CHAIRMAN: Are there any other questions?

If not, I would like to thank Mayor Lewry for making his presentation here. Having been one for 12 years I know that municipal politicians have to be most advanced in their thinking if they have to exist in politics. Believe me, I have an advantage over many of my colleagues from the experience I gained in municipal politics. It may be that some of them would not agree with this, but it is a fact.

Mr. PETERS: Some of the members of the Committee may not be aware of the fact that Mr. Lewry has participated in the past in some of the federal standing committees.

The CHAIRMAN: Mr. Lewry made reference to my brother who is sitting at the back of the room. He is an M.L.A. in the opposition in Saskatchewan. You will notice that my brother is better looking than I, but you cannot have both!

Mr. LEWRY: I want to thank you, Mr. Chairman, for hearing my brief. I have an appointment in Mort's constituency. That is why I want to get away.

The CHAIRMAN: The meeting is adjourned until eight o'clock.

EVENING SITTING

The CHAIRMAN: We have with us tonight Mr. Michael Fitzgerald, Director of Prairie Farm Rehabilitation Administration. I will ask him to introduce the members of his staff who are present. There is no brief, and I think Mr. Fitzgerald intends to tell us about some of the operations of PFRA, as far as the South Saskatchewan River Dam is concerned.

Mr. MICHAEL FITZGERALD (*Director, PFRA*): Mr. Chairman and gentlemen, as you are aware, I appeared before your committee last fall in Ottawa. At that time I think you received from PFRA evidence on the substantive part of our work in western Canada.

The purpose of this particular briefing is to acquaint you with the South Saskatchewan River development project. For this purpose I have with me, Mr. Walt Thomson, one of our assistant chief engineers, who initially was the construction engineer on the project and more recently has been in charge of the project as a whole, as project engineer. With him is Mr. Bill Berrie, our chief design engineer. By means of these various charts and models they will explain very briefly the progress in construction, the purpose of the dam, something about its cost and something about the various uses of the water that will be effected after the project is completed next spring. I will now call upon Mr. Thomson to give details. He will be assisted by Mr. Berrie.

Mr. WALT THOMSON (*Assistant Chief Engineer, PFRA*): Mr. Chairman, it is a pleasure to brief the committee this evening on the South Saskatchewan River

project. The history and the construction of this project are two subjects which would require some time to describe fully. Since my presentation here will be approximately half an hour, I am going to limit myself to some of the selected features of the project. These will be illustrated with slides and followed at the end by a question period, if you so desire.

We have available, and have distributed, these envelopes. If any of you do not have them, there is a surplus supply at the door. These envelopes contain brochures, some literature and photographs which illustrate, in more detail, the over-all project and some of the uses to which the water is being put. We have an aerial mosaic here to provide further detail, which illustrates the extent of the reservoir. This mosaic has been prepared from an aerial photograph. The scale is about an inch to the mile. The heavy blue colouring represents the flooded areas. The city of Swift Current is about here; Outlook is here, and Elbow is there. The Alberta border would be about over here.

Now, it is intended that all these exhibits will remain in this room and you will have a chance to look at them, if you wish, at the conclusion of the meeting or tomorrow. They will be here all night. I do not intend to describe them in detail; they are here for your observation and convenience. The next is like the models which many of you have probably seen in the airports at Saskatoon and Regina. It illustrates the physical features of the main works. This is a diagram illustrating mainly the SSEWS project. This is what we call the Saskatoon Southeast Water Supply project. This development is being undertaken by the provincial government. The dam, by the way, is here. This represents an extension of the irrigation system to a system of canals and pipelines to serve, primarily, the potash industry southeast of the city of Saskatoon. You will note the various locations of these potash mines and the full dam being developed. This canvas represents a typical cross-section of the embankment. Beneath this there is a series of photographs taken during construction and showing points of interest.

I have a few brief notes here that I thought I would review before we show you the slides. The concept of a dam on the South Saskatchewan River was first envisioned by a Captain Palliser, an English explorer. In 1857 Captain Palliser made a report to the British government, in which he mentioned the feasibility of establishing a dam on the South Saskatchewan River to create a navigable channel down the Qu'Appelle, the Assiniboia and the Red to Fort Garry. The next year, in 1858, the Canadian government sent out a Professor Hynd from Trinity college. He explored the area between Fort Garry and the Saskatchewan, and he also recognized the potential of a dam here; his report referred to the benefits which could be derived through the territory which was then called the Dakotas and Ruperts Land. This was followed in 1919 by a suggestion from an eminent engineer, William Pearce, that it would be possible to divert the headwaters of the north Saskatchewan into the South Saskatchewan—this would be out in the foothills of the Rockies. In 1920 the Canada Bureau of Reclamation undertook some surveys which outlined a considerable area of land in central, eastern Alberta and western Saskatchewan. Now he envisaged diverting the north into the south and then a further diversion of the Red Deer River in central Alberta, from which there would be a system of canals extending into Saskatchewan. That was the next step in this process.

In 1930, by agreement, the government of Canada transferred the resources to the province and at that time studies on the Saskatchewan scheme stopped. In 1939 the newly-created Prairie Farm Rehabilitation Administration started to investigate Pearce's proposals. It really concentrated on a revision to Pearce's scheme which involved a dam in Saskatchewan. This scheme would have provided for a dam and reservoir wholly in the province of Saskatchewan, a much shorter canal system with a head for the development of hydroelectric power, along with other benefits associated with having a scheme wholly within one province. So, between the years 1943 and 1958 we investigated ten sites for a dam between Cabri and Outlook. We finally selected the Coderre Creek site. The selection was made because the topography there is especially suitable for the works. The spillway could be located well removed from the embankment and there was an abundant source of good gravels and clays for both concrete and embankment construction. So finally, that was the site selected.

There were a series of protracted negotiations carried out with the province of Saskatchewan with regard to the cost-sharing arrangement for such projects. This culminated, in July of 1958, with the signing of an agreement between the government of Canada and the province of Saskatchewan which provided for the construction of a reservoir and cost-sharing arrangements. I will briefly describe this agreement between the two governments. It provided that Canada would construct the reservoir by building a main dam on the South Saskatchewan River and a subsidiary dam in the Qu'Appelle Valley. You will notice the river forms an elbow, and this is how the town of Elbow got its name. This arm is an arm of the Qu'Appelle. That is a height of land of the Qu'Appelle and the drainage runs east and west from that point. This dam is located right on the height of land.

The agreement provides that Canada and Saskatchewan would share in the cost of the reservoir, 75 per cent to be borne by Canada and 25 per cent by Saskatchewan, with the provision that Saskatchewan's contribution would not exceed $25 million. On completion of the reservoir, Canada is to transfer the works of the reservoir to the province although Canada will maintain it for 10 years, the first six years of which Canada will pay all maintenance costs. For the last four years these costs will be shared equally with the province.

The agreement also provides, in the event Saskatchewan proceeds with the construction of a hydroelectric facility, that the costs will be borne by Saskatchewan, although Canada agreed to contribute 25 per cent of the cost of the external penstocks. A third point in the agreement was that Saskatchewan would assume, entirely at her own cost, full responsibility for the construction, operation and maintenance of an irrigation system. That outlines the agreement, in general terms.

With regard to the river itself, I have a few statistics here to illustrate the hydrology of the river and give you an idea of the magnitude of the water we are dealing with. The main source of water for this river is the eastern slopes of the Rockies, the foothills. The flow records vary significantly from year to year and within each year. Since 1911, records have been taken and flows have fluctuated from a minimum of 500 second-feet, which is cubic feet per second, in December of 1936, to a maximum of 147,000 second-feet in June of 1953. With regard to the amount of water in each year, this has fluctuated from a minimum of 3.4 million

acre-feet in 1947 to a maximum of 14.6 million acre-feet in 1916, an average of 7 million acre-feet. This illustrates the wide range in the flow and the effect a reservoir such as this could have in equalizing or storing these peak flows.

The reservoir at the main dam is 185 feet deep. It has an area of 110,000 acres and extends 140 miles in length. The Qu'Appelle Dam is approximately 90 feet in height. The capacity of the reservoir is 8 million acre-feet and the useable storage of this is 2.8 million acre-feet. Construction of the main work began in the fall of 1958 and has continued since that time. All the work is complete to date except for landscaping and riprap and clean-up. We expect all the work except the landscaping will be complete this year. The embankment itself has been constructed in five stages and these will be illustrated with slides. It is what is termed a rolled-earth fill embankment. It has been built in lifts, each approximately 6 inches in depth.

We diverted the river through five tunnels constructed in the west abutment in February of 1964. I might mention that these tunnels are each about 4,000 feet long; they have a finished diameter of 20 feet, and three of them are lined with steel. These steel liners serve as penstocks, and in the initial hydro development these first three tunnels are being developed for hydroelectric generation.

The other main structure at the site is the spillway. This is quite an imposing structure; it is 3,000 feet long and has a designed capacity of 265,000 second-feet, which you will see is quite a bit higher than the maximum recorded flows. The crest is gated with 11 radio gates, each 29 feet high and 40 feet long.

I will tell you what has happened to the river since we have built the dam. We diverted the river through the tunnels in 1964, and this enabled us to build the river section of the embankment after that date. The reservoir was raised 80 feet in the spring of 1965. It was held there for a year and in August of this past year, namely August 1966, we raised it another 30 feet. At the present time, the pond is being drawn down to generate power at the Squaw Rapids plant. We are going to draw it down a depth of about 16 feet—not to 16 feet but a depth of 16 feet. We expect this will stop about the second or third of March, at which time we will start to store water. We expect to have a depth of about 125 feet this summer at the site, and probably next year it will be raised to its full height.

I can outline, with regard to the benefits from this project, the prime benefits of the scheme. One of the major benefits of the reservoir will be the production of hydroelectric power. The initial development involves the installation of three 62½ megawatt units, the first of which will go into operation in the fall of 1968, and the third one will follow shortly thereafter, within a few months. The reservoir also provides storage and regulation for further power developments downstream. It is estimated that there are five sites downstream of this dam between Outlook and Squaw Rapids. So, this storage facility is really very significant. It is estimated with regard to irrigation that there will be between 200,000 and 500,000 acres of land eventually irrigated. That is quite a wide spread but the 500,000 acre figure will be an ultimate figure and it may take considerable time to develop. This will be affected, of course, by economic factors and I guess the need for irrigation of the land.

Initially the province is developing 40,000 acres in the Broderick area and this will be ready for irrigation in the fall of 1968 but the first complete year will

be in the spring of 1969. The first benefits, probably, to be derived from the reservoir will be the supply of water for this scheme which we call the SSEWS scheme. This is a supply of industrial water and water for urban use in the areas south and east of Saskatoon. This scheme is presently being developed, I understand, at a cost of approximately $25 million and it will be in operation this fall.

In addition to the SSEWS scheme, the reservoir works will also enable the discharge of water east, down the Qu'Appelle, through the Qu'Appelle lakes into the Assiniboia and Red Rivers. This will actually have an effect on these lakes, and the cities of Moose Jaw and Regina, which presently draw water from Buffalo Pond, will be affected in that there will be a better supply and, presumably, a better quality water.

Now last but not least, the construction of the reservoir is certainly going to have important implications on the recreation facilities in this area. This is an area which at the present time you might say has no recreation facilities of this nature. These are rather hard to evaluate but they are becoming important, and this, I am sure, is going to be one of the important benefits.

Now, we will see a few slides, which you might find interesting. These were taken during the course of the work, and I will go over them as quickly as I can.

Slide No. 1—Showing opening ceremonies, Spring of 1959

The first photograph is a picture of opening ceremonies which occurred in the spring of 1959. I do not imagine you can pick out the people at the head table.

Slide No. 2—Headquarters area construction site

This is the construction headquarters area. This houses and provides facilities for engineers and technicians that are supervising construction. There are 40 houses, a staff house, an office building, shops and buildings of that nature.

Slide No. 3—View of site before work commenced

This is a view of the site before any work commenced, showing the damsite.

Slide No. 4—View of diked area in 1959

This is a view taken in 1959. It shows how the river was diked off, and this portion of the river was then filled with sand. The entire magnum has a sand foundation. The natural materials in the river consist of sand for a depth of 90 feet. So we diked this off and filled it up with sand to above the water level, and on top of that platform the embankment has been built out of stone and selected materials which varies from sand and gravel to clay.

Slide No. 5—View later in 1959

This is a picture taken the same year but a little later. Also, it is reversed. It shows the area of the dikes. We are now placing the embankment on top of the sand foundation.

Slide No. 6—Construction bridge

This is a construction bridge which was built for temporary use to transport material across the river. It just happened that all our gravel was on the west side and all the good clay was on the east side. So there had to be a cross-haul of material. This bridge has been dismantled and sold.

Slide No. 7—Difficult excavation

This illustrates a particularly difficult piece of exacavation in one of the cut-off trenches on the west side. It illustrates four pushers on twin use. There is quite a bit of power there.

Slide No. 8—View of site in Fall 1963

This is a view of the site in the fall of 1963 immediately prior to diverting the river through the tunnels. The construction bridge downstream shows, and this is a temporary coffer dam we prepared up here, about 90 feet high. The initial closure was made right across here. This diverted the flow of the river into this channel and through the low-level intakes and out the outlet works back at the river here. When this closure was made it enabled us to build a coffer dam to 90 feet, a sufficient height to carry the high flows in the early spring. This part of the channel was again filled with sand and the embankment was built on top of it.

Slide No. 9—View in Summer, 1965

This was a view taken in the summer of 1965 which shows the entire river section, which is now covered with embankment material. This is a coffer dam which was built in the winter of 1964. As soon as the diversion closure was made here, this gap was closed in the winter, mainly using sands and gravels, and the coffer dam was left in place and is now submerged.

Slide No. 10—View of works Fall 1966

This was a view taken last fall which shows the works pretty well as they are today. This is a spillway structure 3,000 feet in length. This is the basin. The crest is just off the picture here. This is the main river section embankment, the control shaft, the outlet works, the area where the powerhouse is being built. The pumping plant is located on the east side up this ravine and from this point a canal leads off.

Slide No. 11—View of placement of riprap

This is a picture showing the placement of riprap on the upstream slopes of the main embankment. These boulders vary in size depending on their location, the largest size we used was 8,000 pounds. An 8,000 pound boulder is a pretty big stone. These ones are not that large. Our specifications go up to 8,000 pounds.

Slide No. 12—Tunnel Outlet Area

This is a recent photograph taken last fall of the tunnel outlet area which illustrates the start of construction on the power plant. This is a coffer dam which closed off the first four tunnels. The area has been dewatered and the foundation excavation has been completed. This is a temporary housing which was built, under which at the present time they are pouring the footings for the powerhouse. These first thee tunnels are presently being developed for power. You will notice the base on this one is longer. It is a permanent outlet base and this tunnel, number five, will be kept permanently for regulating purposes.

Slide No. 13—View of outlet tunnels

We are backing up slightly here. This is a view of the outlet tunnels taken in the winter of 1960. These are the outlet proposals; this machine is the mechanical

mining machine which was used to mine the tunnels. It is called the Mole. At the time we had this machine on the job this type of excavator was petty new. They had used it on a dam on the Missouri river but the idea was still pretty new. Now since 1960 and 1961, of course, this has become quite a commonly accepted method of excavating tunnels in soft rock or in clay. When we first brought it in here it was quite a new thing and there were a fair number of problems associated with getting it operating.

Slide No. 14—View of Steel Liner Section

This is a view of one of the steel liner sections that went into one of the first three tunnels. These are 20 feet in diameter. These are temporary portals called spiders and these are stiffener plates placed on the outside. The tunnels have two and a half foot thicknesses of concrete; this served as a form and is left in place.

Slide No. 15—View of Mole

This is another view of the mole or cutting machine. This is the cutting head which rotates and these are the cutting teeth. There are sort of scoop buckets that go around the periphery here. You cannot see them here because they are not on. They are mounted in place once the machine gets in the tunnel. This head rotates to pick up the loosened muck or rock. The word "muck" is misleading; it is not wet but, rather, fairly dry clay. It falls to the bottom, is picked up by these rotating wheels, carried back through a conveyor, is dumped on a mining car and transported out of the tunnel. This machine performs continuously. Once you start a machine like this, one of the tricks in operating it is to keep it working. If you stop there are often problems associated with starting it again in that the rocks squeeze in on you and tend to hold it. So the general procedure was to work it continuously, seven days a week, 24 hours a day. It produced a maximum of 140 feet in any one day. The average production in a good day was about 70 feet. Actually the average was a little less than that, 45 feet over the entire period.

Slide No. 16—View of Tunnel

This is a view of the tunnels before they were concreted. After the machine excavated, these wide flanged beams were placed. Between the beams there is longitudinal lagging which is covered with a spray coat of gunite to keep the shale from drying out. After each tunnel was excavated it was poured in this fashion and then it was lined with a continuous concrete operation. These are airlines, waterlines and tracks for cars.

Slide No. 17—View of Tunnel

This view illustrates the tunnel. These are the low-level inlets, the high-level inlets and control shafts. The low-level inlets were for the purpose of diverting the river. When the river was diverted we cut off the entrance to each these low-level inlets and, as I said, in the spring of 1965 we brought the pond up, and these inlets then became serviceable and are the permanent inlets for the outlet works. They are over 100 feet below the high water-mark so they will always be submerged.

Slide No. 18.—View of Control Shaft

This is another view of the control shaft. These are quite imposing looking structures. This is a view of the pond, taken, I believe, this spring. The pond was

still down around 80 feet in depth. These are trash racks you see here which at that time we had raised. They have since been lowered and of course the water is away up here now and these are all submerged.

Slide No. 19—Discharge through tunnels

This illustrates the discharge through the tunnels. It is a picture from the downstream edge of the dam, showing the control shafts and the inlets.

Slide No. 20—Graph of Spillway structure

We did not have a photograph to show the crest of the spillway structure so this is taken from a photograph of a portion of a plan. This is the crest of the spillway structure. If you were out there examining this structure, the ground lies up about here. You can see down to this depth, and all this portion of the structure here, is underground. The majority of the structure is underground, it goes down a depth of 75 feet into the ground. These are inspection galleries and chambers, traverse structures in which we have installed relief wells and various test apparatus for measuring settlement, movement, pressure beneath the structure and so on. These are the radio gates, 29 feet in height and 40 feet in length. This is a highway that passes over the top of the structure.

Slide No. 21—View of Crest Structure, Spring 1966

This is another view of the crest structure taken in the spring of 1966. The contractor is just starting to work on the four inch slab here.

Slide No. 22—Downstream view of Gates

This is a downstream view of the gates. These are radio gates. These are the pinion arms supporting here. These are very large gates as you can see.

Slide No. 23—View of Spillway Structure Downstream End

This is a view of the spillway structure from the downstream end taken in the summer of the year.

Slide No. 24—View of Paving Operation

This is a view of the paving operation of the chute. The chute is an 18-inch thick reinforced concrete slab, continously reinforced in both directions. There are no open joints or contraction joints except at the crest and the one down the way. This is the steel reinforcing grid. This is a slipform paving machine. I believe it is one of the first in Canada. It has since been removed. This is a new technique in paving. This is really a machine adapted for highway paving. Rather than forming a side, each of these lanes is poured independently and alternate by in order to provide for shrinkage to occur before the structure is completed. The contractor asked if he could use this machine; we improved it and used it and it turned out very satisfactorily. No formula is required.

Slide No. 25—Completed View of Structure

This is a completed view of the structure. These are the radio gates. You can see that it is sort of an hourglass shape.

Slide No. 26—View of Qu'Appelle Dam

This view is of the Qu'Appelle Dam. It is the only one we have. Across the Qu'Appelle Dam, we had to relocate the C.P.R. railway. The railway formerly

crossed the Qu'Appelle Valley in the area now occupied by the reservoir. So we relocated the C.P.R. line that runs from Moose Jaw to Edmonton. We had to relocate this between Bridgeford and Elbow, about a 13 mile relocation, and it passes over the top of the Qu'Appelle Dam. This was completed and the first train went over, I believe, on the 6th of August, last summer.

That completes the slides, gentlemen. If you have any questions we will be glad to answer them?

The CHAIRMAN: Mr. Rapp, on a short question?

Mr. RAPP: Mr. Thomson, you have mentioned the benefits of irrigation, recreation and electrical power. What effect will it have on our future potash industry.

Mr. Wm. BERRIE (*Chief Design Engineer, PFRA):* These potash mines south and east of Saskatoon are shaft mines; they are not solution mines. Nevertheless, in the processing of potash a considerable amount of water is required and this serves as a source of water in an area where there is very little water at the present time. In other words, some arrangement would have to be made to supply this area with water because it does not exist locally.

Mr. RAPP: In other words, this will be a good thing for our future extension of the potash industry.

Mr. BERRIE: This, or some other alternative, would have been necessary.

Mr. CLERMONT: Am I correct, gentlemen, that the federal government will share 25 per cent of the cost of any hydro power development?

Mr. BERRIE: Only of the external penstocks. The total cost of the external penstocks is in the neighbourhood of $4,600,000. The federal government shared about $1.2 million.

Mr. OLSON: How long do you think you could project the development of the irrigation part of the dam?

Mr. BERRIE: At the present time, the agreement provides for the province to develop 50,000 acres within a year of the reservoir reaching a minimum operating level. The province has presently contracted for an area approximately 35,000 to 40,000 acres. They intend to add to this shortly and they will have met this basic initial commitment of 50,000 acres in the Broderick area. My understanding is that there is no immediate plan for an extension of this but there is in the foreseeable future.

Mr. OLSON: But in respect of the 200,000 to 500,000 acres that you talked about, there is no projection of when these will come into operation?

Mr. BERRIE: We expect it will be a thing that will occur gradually, probably over a lifetime or two.

Mr. OLSON: Do you have to lift the water for this first 50,000 acres?

Mr. BERRIE: All of the water is being lifted. There will be a pump plant on both abutments of the dam, east and west. A lift on the east side, which is presently installed, is approximately 40 to 50 feet, depending on the level of the reservoir. That is the initial lift.

Mr. OLSON: Well, how much more does it have to be lifted before it can be put on the land by gravity.

Mr. BERRIE: For this initial 50,000 acres, no more. Now the SSEWS scheme, which involves water for industrial and urban use, has an additional 180 foot pump lift over in the vicinity of Watrous, but this is quite a small capacity.

Mr. OLSON: Is there provision for a continuous supply of power to lift this water without it having to be transferred to the irrigation costs?

Mr. BERRIE: You are thinking of a lessening of the farmers' share of the benefit?

Mr. OLSON: I am thinking about the cost of lifting this water somewhere down the road where you may or may not have a water-user association operating their irrigation scheme.

Mr. FITZGERALD: I think the answer to that question, Mr. Olson, is that the provincial government is responsible for irrigation and all uses out of the reservoir. The cost to the farmer, I think, is generally shared in the benefits of hydroelectic power. I do not think the province has ascertained what benefits individual farmers will receive as a result of the hydro power development. Again, I say, the cost in benefits here, the cost of irrigation versus benefits from power is purely a provincial matter.

Mr. OLSON: Have there been any projections done on the cost of delivering this water to the farmer's gate, with nothing for capital cost, but operating cost?

Mr. FITZGERALD: I do not think so, Mr. Olson, no.

Mr. HORNER (*Acadia*): I would like to ask a number of questions, but I think the committee would be wise to forego too many questions in view of the fact we have three or four more witnesses to hear on different subjects. I am going to waive any questions I would like to ask on this subject because of my desire to proceed with the other witnesses who have waited patiently to be heard.

Mr. SCHREYER: Mr. Chairman, I have just one question. I note that on page 2 of the statement it is said that all phases of the project will cost approximately $110 million and that the province's share would be 25 per cent up to $100 million. What about the balance? What is the ratio of cost-sharing on the balance?

Mr. BERRIE: The present estimate of the cost of the reservoir is about $115 million. This is an updated figure. I am quoting this in round figures; it could be $1 million off. The province will only share to the extent of $25 million and Canada will bear the balance of $90 million.

Mr. SCHREYER: Does that include the power development?

Mr. BERRIE: The power is separate.

Mr. SCHREYER: What is the estimate there for total completion?

Mr. BERRIE: This is a provincial expenditure. Now, the provincial estimate of the first three power units is $23 million. Canada is contributing an additional $1.2 million.

Mr. SCHREYER: Thank you, Mr. Chairman.

The CHAIRMAN: I think, if it is agreeable to the committee, that we will discontinue questioning, mainly because of the time, and thank Mr. Fitzgerald and his staff. If at some future date, when we are discussing the PFRA under the estimates for the new year, we will be sure to ask all the questions that are necessary then.

The next witnesses are Mr. Brockelbank, Mr. Nollet and Mr. Kramer. Mr. Brockelbank will introduce the group that are presenting the brief to the committee.

Mr. J. H. BROCKELBANK (*M.L.A., Saskatchewan*): Mr. Chairman and hon. members of the House of Commons, I want to say, first of all, that we are here representing the caucus of the C.C.F. party in the Saskatchewan legislature. We cannot speak for the government, but we can speak for our group. On behalf of that group I want to say how happy we are to have a committee of the House of Commons visit our province to hear the representations that we have to make. I know too, that the people of Saskatchewan would want someone to say, and I shall say it, on their behalf, that they too are happy to have you visit their province of Saskatchewan.

I have with me Mr. Nollett, who was first elected to the legislature in 1944. He became Minister of Agriculture in 1946 and was Minister of Agriculture in our province until 1964. Mr. Nollett has a brief to present. He will not read it all to you but he will comment on it. Before Mr. Nollett commences I would like also to mention Mr. Kramer, who is also here. Mr. Kramer was elected to the legislature in 1952 and for two years, from 1962 to 1964, was Minister of Natural Resources. When we heard that your committee on agriculture and forestry was coming to Saskatchewan, we wanted to make a presentation not only in regard to agriculture but also in regard to forestry. The brief that Mr. Kramer has is in regard to forestry, if we want to be technical and classify it that way. Although I realize this is a little bit out of line with what you have been hearing, I do hope that you can hear it. The brief is short. Now we can discuss that and I can hear from you, Mr. Chairman, on that point later.

I would now like to call on Mr. Nollett to make his presentation to you in regard to agriculture.

Mr. I. C. NOLLET (*M.L.A., Saskatchewan*): Mr. Chairman and members of the committee, I wish, first of all, to apologize to you for not having been able to give you a more legible submission and, more particularly, that we were unable to get the translation in French for the benefit of our French colleagues from Quebec. I hope you will overlook these deficiencies in this submission. Before I begin, I should say that I am not, in this brief, dealing specifically and entirely with the wheat board and the wheat problem. I drift from the wheat board and wheat into the general agricultural problems. My thesis in the presentation is that we have reached a situation in rural depopulation that is critical, that certain economic factors primarily have brought about rural depopulation, and that to arrest this trend we ought to seriously consider alternative policy, of an economic character that might reverse this trend and indeed make possible more employment opportunities within the agricultural industry. The proposals submitted in this paper will be new; I would not say completely unorthodox but I believe realistic. I am aware, of course, that your committee, under its terms of reference, will not be able to report to the House of Commons on this aspect. My

prime hope is that the material contained in this will give you an opportunity to study and given thought to a comprehensive marketing and farm income policy for Canadian agriculture. More and more we hear leaders saying—provincial premiers, leaders of farm organizations and so on—that we ought to have a national conference on this matter. I hope that that will come. I urged that when I was minister of agriculture. I hope that it will materialize, and that serious study can be given to what I consider to be the prime factor, the economic factor that has created the distress in the industry.

I am not going to read all this, Mr. Chairman. You have a busy schedule, and I do not know what your quitting hours are. I do hope to read the first part, in which I set out a case for the kind of policy that is subsequently proposed.

Mr. Chairman, I very greatly appreciate the opportunity to make a presentation to your Committee as you travel across our great country seeking information and advice which may be of benefit to our farm industry.

You are to be congratulated on your decision to abtain valuable first hand information in this manner.

I am aware that your terms of reference and subsequent report to Parliament are limited to the Wheat Board and associated wheat aspects of the agricultural industry. However, with your indulgence, I would appreciate the opportunity at this time to deal with what I consider to be the main problems confronting the wheat farmers, as well as farm problems generally. I would do so in the knowledge that under the terms of reference while your committee cannot report to Parliament regarding matters beyond its scope, I would, however very much appreciate making more extensive observations for the benefit of members.

The Wheat Board principle of marketing and its successful operation over the years represents the greatest advance made to date in marketing a farm commodity. This government agency has brought greater price stability and marketing advantages to the wheat aspects of our farming economy than any other action taken by the Federal Government in the field of marketing farm products. Extending the scope of the Wheat Board principle of marketing to other field crops not now included and the establishment of a similar Board for the marketing of other farm products might well be considered. This is not to say, however, that the present price of wheat is adequate. This is not due though to any major deficiency in the Wheat Board system of marketing but is largely due to the influence of constantly rising farm costs.

Your decision to become a travelling committee could not have come at a more opportune time. I say this because to date no effective solution has been found for the major problems which have adversely affected our basic industry of Agriculture. Many piecemeal palliatives have been applied but none have as yet achieved the desired objective of arresting the cost-price squeeze faced by farmers. Bumper crops in the last several years have only camouflaged the problem. It is now an established fact that the past and present trends will continue in the future unless a completely new and bold approach is developed to find a solution to the salient problem of inadequate farm income.

May I emphasize as strongly as possible that the central problem is low income. I say this at this point because further along in my presentation I wish to elaborate on this point more extensively.

Looking back over the years, one can only conclude that our self-employed farm population has constantly faced a serious income deficiency problem. One must also conclude, as stated previously, corrective measures employed to date have proven to be ineffective. The only available escape for the farmer from his low income quandry was to either get off the farm and seek better income opportunities in the non-farm sector or to enlarge the scope of his farm operations.

In the latter case this too now presents a doubtful method of improving realized net farm income to any great extent.

Now I move to past trends in Saskatchewan agriculture to give you some background information on our own situation here in the province. Let us, first of all, review past trends as background material to realistically analyze past and present trends and endeavour to pinpoint some of the causes. For example, in 1936 the total occupied farm land in Saskatchewan was 57,000,000 acres; in 1936 the total occupied improved land in Saskatchewan was 33,600,000 acres; in 1936 the total number of farms in Saskatchewan was 142,400; in 1936 the average size of farms in Saskatchewan was 400 acres.

Now, we go to 20 years later and we find that the total occupied farm land went up by approximately 8 million acres to 62,800,000 acres. And the improved farm land acreage increased by about 7 million acres to 40,500,000. The number of farms, however, decreased to 103,400. In this 20 year period of time we lost 39,000 farmers, and the average sized farm went up to 600 acres. Eight years later—that is 28 years since 1936—our occupied farm lands went up to 64 million acres, a plus over 1936 of some 7 million acres. The improved farm land acreage in total went up by about 9½ million acres to 43,117,000 acres. That is roughly about 43 per cent of the total cultivated acreage for Canada. In 1964 the total number of farms was 93,000 and it dropped from 1936 to 48,000. I am told now that this figure is around 84,000 or less, so, we lost another 10,000. Some say 80,000 others say 84,000. At any rate we are still going downwards.

So in this 28 year period the total acreage of improved farm land in Saskatchewan increased by 9,517,813 acres, while the number of farms in Saskatchewan decreased by 48,400 farms. The improved acreage per farm in this same period of time increased from 236 acreas in 1936 to approximately 460 acres in 1964.

Among the major causes for this off-the farm exodus might be listed as follows:

Farm Machinery Costs

Greatly increased costs associated with farm mechanization were not accompanied by comparable increases in farm prices. This is one of the factors. For example, in 1946 the retail value of new farm machinery purchased by Saskatchewan farmers, including repair parts, was $34,390,000. In 1964, the retail value of new machinery and repair parts purchased went up to a record high of $135,472,905, an increase of nearly fourfold, these figures are taken from the agricultural machinery administration annual report of 1965. Of course, further substantial increases have taken place since that time. In 1946 new farm machinery (excluding repair parts) purchases as a percentage of realized net farm

income was 19.5 per cent whereas in 1963 this percentage rose to 26.3 per cent.

It is also of interest to note that the average price of wheat to the farmer in 1946 was $1.62 per bushel. In 1964 this price was $1.60 per bushel—some slight decrease; prices remained the same or went down.

In 1946 the per acre purchase cost of farm machinery and repair parts was less than $1.00 an acre of improved farm land in Saskatchewan. In 1964 this cost went up to approximately $3.15 per acre despite the large drop in the total number of farms. This is taken from the 1965 report of the Saskatchewan Department of Agriculture. The high costs of farm mechanization together with low farm prices are the prime reasons for rural depopulation and continuing economic pressures for still larger farm holdings.

Now, let us take a quick look at other farm costs. In addition to mechanization costs, other cost inputs for a variety of goods and services required by farmers have greatly increased in number, volume and price. Firstly, numerous new items never previously required are now necessities, such as electrical supplies, welders, electric power units, household equipment, refrigeration—and a growing assortment of tools and other supplies required under modern farm circumstances. An increased volume and number of various chemicals are now required farm cost items. The rapidly expanding use of commercial fertilizers is another rapidly growing farm cost item. Demands for better rural services consequent on mechanization (such as more costly roads, power services, improved health and educational services) can be met only through higher income. If farmers are to share in the affluence of our economy, higher income is required to pay for much more costly goods and the legitimate demands of modern society. Our failure to date to provide sufficient income to meet these cost demands has resulted in a continuous rural depopulation. This exodus was particularly heavy among young people who often found themselves with little choice but to leave the farm regardless of the fact that many wished to farm. The great new and exciting opportunities in farming which would challenge the imagination and skills of young people all to often could not compete against the economic problems involved. Many of these displaced young people would still return to farm life provided income rewards were equal to those in the non-farm sectors.

Now, we will take a look at capital investment. In addition, total farm capital investment has increased substantially. Mechanization of farms and technological change over the years have increased the importance of capital investment in relation to realized net farm income. The following figures underline this observation. In 1941 the total farm capital investment, for the province as a whole, was $896 million. This went up constantly, in 1946 to $1.223 billion; in 1951 to nearly $2 billion; in 1956 it was over $2 billion; in 1961 it went up to $2.864 billion, and it has gone up since. It is estimated in 1965 this capital investment is now very nearly $4.5 billion.

Farm machinery investment increased rapidly since 1941. In that year farm machinery investment was $143,000,000 or 16 per cent of total farm capital investment. In 1961 farm machinery investment was $686,825,700 or 24 per cent of total capital investment. The largest increase occurred between 1946 and 1951, when machinery investment more than doubled.

By 1956 land investment accounted for about 50 per cent of the Saskatchewan farmer's total capital investment with machinery accounting for roughly. 26 per cent while the balance was made up of buildings, livestock and so on.

Since 1956 investment in both land and machinery has taken another great leap upward. Land values, due to adverse cost-price relationships and consequent economic pressure towards larger and larger farm units, have now reached the point of no return in terms of income expectations from investment and other cost factors. It is clear that the farmer more than anything else requires higher prices and income to meet escalating costs for all his requirements.

I come now to realized net farm income which, of course, as you know, is the farmer's so-called take-home pay. This is a pretty good measure. I would like you to think, as I do when I present this paper, of the agriculture industry as a complete industry as a whole, or one big farm. What I am looking at is the input into this big farm, the costs it is expected to carry and the amount of income it has to meet those growing costs.

Perhaps the best way to appraise the effects of increased costs on farm income and rural depopulation would be to review long-term records of realized net farm income, often referred to, as I mentioned "the farmer's take-home pay". The following D.B.S. statistics in this regard for the years 1951-1965 are most revealing. For Saskatchewan, these figures show that the combined realized net farm income for the three year period 1951-53 inclusive was higher than the more recent three year period 1963-65. The in-between years, 1954-62, on an annual basis, with the exception of 1961 and 1958, were all well below the top and bottom three year periods. This is quite significant.

For Canada, these figures show that for the entire period of fifteen years 1951-65, the record high year for realized net farm income was 1951. Every single year after 1951 realized net income was lower. This is significant because there are less farmers to share in this income. So many of us rather feel that this increased size of farm units and depopulation is not a bad thing, that it makes for greater efficiency. I am talking about productive efficiency or ability to meet an economic situation.

This is conclusive evidence that high farm costs and low farm prices are the salient factors contributing to low farm income, rural depopulation and the economic pressure towards larger and bigger farms. Prices and costs are beyond the farmer's control. The only avenue of escape open to the farmer from this type of economic determination, as stated previously, was to either get off the farm or enlarge his holdings. Enlarged holdings and better farming aids for increased production have not succeeded in offsetting increased costs for the industry as a whole.

At this point reference might well again be made to effects on Saskatchewan's rural population. The 1941 census reveals a rural population of 600,846 being 67.06 per cent of Saskatchewan's population. The 1961 census shows a farm population of only 304,672 being 32.9 per cent of Saskatchewan's total population. This is a reduction of nearly 50 per cent between these census reports. Farm price relationships to farm costs determine the farmer's realized net income level as well as his desire or ability to stay on the farm. The above census comparisons show approximately 50 per cent left during a period of twenty years.

The CHAIRMAN: Mr. Nollett, I think a number of the members are wondering when you are going to start to summarize the brief.

Mr. NOLLETT: I was going on to a table which I have.

Mr. HORNER (*Acadia*): Mr. Chairman, might I suggest that my good friend, Mr. Nollett, allow us to question him on this brief right now and that we have the brief printed as an appendix to our committee proceedings. Perhaps it would speed up our meeting if we question Mr. Nollett on his brief. I have some questions and so do some of the other members. I am saying this in all sincerity because we have about three more briefs to hear and it is 9.30 now. I think we should either do that or have Mr. Nollett summarize each page of his brief rather quickly, otherwise we are going to be here until two in the morning. I do not mind working until two in the morning but we have to catch a plane.

The CHAIRMAN: Is this agreeable, Mr. Nollet?

Mr. NOLLETT: It is very agreable, Mr. Chairman. As a matter of fact, I was going to say that at the middle of page 11, I would be finished, and then we could take the rest of it as read. If it is the wish of the committee, I will not even go that far.

The CHAIRMAN: What is the feeling of the committee?

Mr. RAPP: It is a good brief.

Mr. FORBES: Mr. Chairman, I would suggest that we file the brief, as Mr. Horner suggested, and that we do not question him at all. These problems, suggested by Mr. Nollett, are familiar to all of us. We appreciate the brief. He has probably outlined more things than we could do ourselves. If we have to hear other witnesses, it is going to take some time.

The CHAIRMAN: I think to be fair to Mr. Nollett, that we should allow him a few minutes to summarize the rest of the brief. We certainly should not consider not questioning him at all. Because it is late in the evening is no excuse at all, as far as I am concerned, because there were not enough members to start this meeting at eight o'clock when it was called.

Mr. LEFEBVRE: The door was locked and we could not get in.

The CHAIRMAN: There were a lot of members who were not here after the door was open. A lot of the members were not even here for part of the day either, as far as that goes. I sat here all day and I am willing to sit here all night, because we have to be fair to every witness that appears before this committee, no matter who they are. We are holding public hearings and we cannot treat one person different than another, as far as I am concerned. I do not see how we can make a difference here. If you can summarize, Mr. Nollett, please go ahead.

Mr. NOLLETT: Just briefly, the remainder, again, reviews farm prices which I think I pretty well made clear. You all know they have not gone up; as a matter of fact, they have been going the other way.

To make this point again, on page 8 I have set out a table 1, supplied by the farm management department, which is a very interesting revelation as to the per acre cost. This I will leave; I will not comment on it at all. I am also trying to indicate by this that despite the increased acreage the farm income problem is

still there. When you are reading the table figures, remember that these are from the farm management clubs—the best farmers, and the above-average sized farm in the province. I think that is about it, Mr. Chairman, on that part.

The remainder of the brief is devoted to some suggestions and guidelines for what might be a realistic farm policy. I will not even comment on them at all. Take them back and read them; if you think they have any merit, perhaps some time, when you are studying major farm problems again, perhaps at a federal provincial conference, you could take another look at them. I am only hopeful now that some of these suggestions are worthy of study and your attention.

Mr. McKINLEY: Mr. Chairman, as Mr. Forbes has said, what we have been over so far are problems that we are mostly aware of. Could Mr. Nollett summarize, in a short period, some of the ideas he has that would solve some of these problems.

Mr. NOLLETT: You will find them summarized. But, in general, the approach would be this. I have had a lot to do with agriculture. I have seen acreage payments, PFAA snow bonuses—very difficult to administrate and very unfair. So, under this proposal, I suggest that we look at the agriculture industry as a whole and that we assume that we have to put enough money in this industry to enable it to pay its total cost, including tax and everything else. Obviously, the only manner in which this can be done, in the case of self-employed farmers, is to utilize the price mechanism. Price is merely a mechanism to an end. In the final end, income is determined. I am suggesting that this so-called parity price that has bugged a lot of economists should really be based on the total current cost of the industry as a whole and then the prices determined on that basis, beginning with the basic field crops like wheat, oats, barley and so on, and then that the prices for other farm commodities be related. The same with fruit growers; let it be on a long-term yield basis, so that you would have in your price a built-in factor that would take care of crop failure years. We cannot stop there. We have to build up an income stabilization fund to take care of loss of income because of crop failures. May I suggest that people having their arms taken off on the farm should receive the equivalent of workmen's compensation; minimum income based on family farm needs. This is the idea; you would make deductions from the price at the time of marketing and the larger operators, using the principle of the income tax, could contribute more to this fund. This fund would then be useful to cover the whole field of income and guaranteed income. I suggest here that even this crop insurance is a misnomer; it is income insurance that people want. The proposal here is to build this all into one comprehensive marketing and farm income policy for Canada.

Now here is a suggestion some of you may take exception to. I believe that the government must assume the responsibility for fixed prices. There would be no interference with the present channels of marketing. No doubt the increased cost passed on to the consumer, even though we cut down on the spread between the farmer and the consumer, would be very, very substantial, and consumer subsidies would be involved. It is in these areas that much more study needs to be done.

My basic argument is that this would raise the value of the gross national product for agriculture, as it should. It would be in line with other value

measurements and this would give all levels of government more income and greater stability. This is the general idea you will get as you read the paper. This is the idea in general.

The CHAIRMAN: Thank you, Mr. Nollett. The first member who has intimated he has some questions is Mr. Olson, and Mr. Horner is next.

Mr. OLSON: Mr. Chairman, this is a rather long and detailed brief, outlining certain ideas about what the problems in agriculture are and some suggestions as to how to meet them and solve them.

Mr. Nollett, I do not want you to misunderstand me, but I am at a loss to understand what you are advocating here. For example, you are concerned about the exodus of people, the depopulation of the farms; yet, if there are enough people on the farms in Saskatchewan now to produce all that the market demands and these people who are now on these farms have an income that is too low, I fail to follow your reasoning for wanting more people on farms in Saskatchewan.

Mr. NOLLETT: My reasoning here is that it is drying up, as I mention later on in the brief, community life in rural areas. Now it is tending to concentrate our populations chiefly in the large centres and it is creating undesirable social problems. The question we all ask ourselves is: Where does it stop? Where will we wind up, with 30,000 farms or 5,000? What will happen to community services? The people tell me, businessmen in the small towns tell me—and I think members will support this—that you cannot get credit, for instance, if you want to buy a drugstore in a little town. These are the sort of problems. I am suggesting here that we reverse this trend in the direction of providing more employment opportunities, and by favourable economic factors discourage the trend and need for larger and larger farms, and increase, nostalgic as it may be, the family farm concept, which I believe in. This is the one area of individual private enterprise I still think is good.

Mr. OLSON: I had no disagreement with you, that all of these problems are present and will be there, but where I fail to follow you is when you say you would like to have more people on the farms and then there would be a further watering down or spreading out of the income that goes to the farmers now. Would you not have more people in this low income area?

Mr. NOLLETT: That is why I am proposing price-fixing policy. My argument here is that we have to give them more income. Mr. Olson, there is a new concept which is interesting that we should look at. I do not think the size of farms ought to necessarily be dependent upon economic factors but labour inputs for optimum production. I agree with you in respect of this so-called fear of overproduction. My whole basic idea behind this is that the markets are there, they should be developed, and rather than restrict production we should give incentive prices and get more people farming more intensively to produce more. My argument here is that we have to produce more if we are to progress. This applies to agriculture the same as it applies to all our industry or the South Sask Dam. We have to produce to progress. Agriculture has not been getting that stimulus.

Mr. OLSON: Along with this increased production surely there would have to be a better price relationship between the farmers receipts and the other area. Then you say on page 14:

> I feel that as a basic tenet or principle that the Canadian consumer of food either directly through prices or indirectly through fiscal policy has an obligation to ensure a thriving and healthy farm economy.

Does this paragraph mean that you are advocating that the consumer price of food is too low and that it should be increased because you say that the consumers of food should be prepared to maintain a healthy farm economy. Surely this means higher prices for food.

Mr. NOLLETT: Well, we know that prices have been escalating without any encouragement. My suggestion here is that this would increase prices from what they are now but as an offset, for the benefit of low-income consumers, there should be a consumer subsidy. I am led to this because I have heard this criticism so often from people who do not know that the farmer is getting hand-outs, and this sort of thing. Here, I am saying, in effect, to consumers: You can object if farmers get what they ought to get in order to stay in business like everybody else, but if subsidies are required let them be consumer subsidies rather than what is termed the so-called hand-outs to agriculture.

Mr. OLSON: I agree with you that the farmers would like to have their receipts come from the selling price of what they sell rather than to have this stigma of subsidies attached to them, but to reach the objective you are suggesting here by guaranteed income and so on on the other pages of your brief, and in keeping with the farmers desire surely this means there should be more of the consumer's money go into food. Does it not in the long run? This is what you are saying.

Mr. NOLLETT: Not necessarily. My argument has been, as the situation is now, that the farmer is not getting his fair share of the consumers' dollar. With the advent of many things that go to make modern society, including TV and Skidoos and boats, actually the farmer, by taking low prices to the point of driving himself off the land, has subsidized the so-called luxury items. This is what I object to. I think the farmer should come up to an equal status; and because food is food, if subsidies are required, they should be consumer subsidies. I agree that some countries, like Great Britain, do pay a substantial consumer subsidy.

Mr. SCHREYER: Mr. Chairman, on a point of order, I would suggest to you, Mr. Chairman, that by ten o'clock, if we have not finished the questioning, that we ask, in all fairness that the representatives of the Saskatchewan Farmers' Union present their brief. Later, if it is the wish of the committee to pursue the present line of questioning, we should call these gentlemen back. I think, by 10 o'clock, we certainly should call on the Farmers Union people.

The CHAIRMAN: Is the committee in agreement with this?

Mr. CLERMONT: No, Mr. Chairman. Personally, I would prefer that we finish with this group, even if we have to stay here longer to hear the other briefs. I think you said, Mr. Chairman, in reference to this group and the other group, that if we have to sit longer hours we will. That is my opinion.

The CHAIRMAN: Mr. Olson, have you completed your line of question?

Mr. OLSON: No, Mr. Chairman, I am not, but if you would put my name down at the bottom of the list I will pass for now.

Mr. HORNER (*Acadia*): Mr. Nollett, you deal in your brief with pricing and you suggested, as I understood your answers to Mr. Olson, a system of raised prices through a system of consumer subsidies. We in Canada know that in respect of agriculture, the livestock industry, the wheat and cereal products industry, are in competition with the world. Would we not, under your system, have a tendency to build up a false economy and drift far away from actual world competition? Would there not be this danger?

Mr. NOLLETT: There is always that possibility but again, I point to the fact that the non-farm sector does not have that problem for machinery and what have you; they readily find markets for their products on the world market.

Mr. HORNER (*Acadia*): I do not think Studebaker Corporation would agree with you or some of the others that have gone broke.

Mr. NOLLETT: I feel, as I mention it in the brief, that what most of these underdeveloped countries want is credit. They are not as concerned about price as they are about credit and money to buy our goods, particularly our food. There is no doubt that Canadian farmers have been producing food cheaply, as you all know. What is wheat to the farmer in Turkey; I think it is $2.55 a bushel, and bread is 8 cents a loaf there.

Mr. HORNER (*Acadia*): I agree in a sense but you do accept the feasibility of a danger for us to drift away from world competition?

Mr. Nollett, do you not think a great deal of the solution to Canadian agriculture lies in a greater diversification. For example, let us go back to the early '50s here in Saskatchewan. We found that wheat was a product for which there was little demand. There was a great demand but apparently our sellers could not locate it. However, when things changed and a new seller took over, we sold it. But Saskatchewan diversified in those years. Saskatchewan went into rapeseed; Saskatchewan went into livestock; Saskatchewan went into hogs to a greater extent. I look at that map over there and I see 4,000 acres of land around the South Saskatchewan Dam. Now, for example, do you not think that corn, to an extent, could be grown with the warm, hot summers in Saskatchewan, with even longer growing seasons than we have in southern Alberta? I just throw that out as one product that could fill a real vacuum in the livestock industry and feeds industry generally. I am thinking in terms of three hundred bushels an acre of corn, for example, and soy-beans. We are importing a lot of soy-beans; we are importing a lot of corn. We are importing to the tune of something like $800 million worth of agricultural products. Do you not think that our farmers —our small farms, should be directed and given leadership to produce goods that would fill a real vacuum. Manitoba is a good example. Manitoba has diversified its agriculture to a large extent, and this has aided their agriculture industry immensely. Do you not think that to intensify farming rather than removing ourselves from actual competition in the world, is a better or more plausible solution to the smaller farms problems?

Mr. NOLLETT: I agree with you and I am a staunch advocate of diversification. This is all to the good. If we were permitted or encouraged in an economic sense to diversify, we could provide much more employment on the land and get more productivity from a given acre of land. I agree with this, but what bugs me is that in all my period as Minister of agriculture, we would send the ag reps out, the farm management people, who would say: Get into hogs. You can talk to a farmer until you are blue in the face about the merits of going into pigs unless they are paid. This is why I am arguing here for fixed prices—prices, for instance, of livestock, dairy and poultry products in line with the costs of feed grain. This would give your extentionists a wonderful arm and an encouragement to farmers to diversify. You see what I mean? I am all for balanced agricultural production and I think we have to provide the encouraging economic factors to achieve that because extension alone cannot do it.

Mr. HORNER (*Acadia*): Once you give a farmer a guaranteed income on a given product then you are going to get lots of that product.

Mr. NOLLETT: I agree with you. We proved that with hog production. I am saying prices should be kept relative. You know the old hog-barley ratio? This is what I am getting at.

Mr. HORNER (*Acadia*): I will forgo any further questions right now, Mr. Chairman.

Mr. MCKINLEY: Mr. Nollett, there are some farmers in Saskatchewan that are quite prosperous and seem to be making the kind of living you would like everyone to make. I would like to hear the differences between those farmers and the ones that are not making the kind of living we would like to see them all making?

Mr. NOLLETT: There are various factors—usually more favourable circumstances because of climate, soil and managerial ability, too, but this is not the all-important factor. Good fortune over the years, too, and sickness of the family and so on all bears on the success of farming. This is chiefly it. But I do not think we can go out with that preachment, and say, here is a good farmer, we will honour him, we will make him a master farmer and all you other guys do like he does. I think we, first of all, need to provide the economic opportunity and then carry on the extension of good farm management and so on. In the plan I have there is no premium on inefficiency. Efficiency will be required.

Mr. CLERMONT: Mr. Nollett, if I understood you, you mentioned that your government should control prices. No doubt you had in mind the federal government?

Mr. NOLLETT: Yes.

Mr. CLERMONT: You mentioned controlled prices. Have you something in mind like they have in England? Are you thinking in terms of putting a freeze on salaries too?

Mr. NOLLETT: No, I was dealing here with agriculture. I was saying that the prices would be based on the amount of income that the industry in total requires to meet its total obligations. Then you look at the industry and you say: Well here are 500,000 or 600,000 farm units in Saskatchewan. Some are big and

some are little, and there are some in good soil zones, some in suitable climate and some not. But you arrive at a price in respect of your field grains and so on, based on long-term average yield. You pay it out, you make very substantial deductions for a stabilization fund. It is a sort of a transfer of income payment within the industry to take care of crop failures due to various factors and this sort of thing.

The only place where some control may be inevitable is in this regard. Assuming the federal government pays consumer subsidies. Then, any government expending public money for that purpose would have a responsibility of safeguarding what is taking place between the farmer and the consumer to see that advantage was not taken of the subsidy by the processors, distributors and so on. We have this in the milk control boards.

Mr. CLERMONT: The fixed price is for the consumer. Mr. Nollett, say, for instance, that a large percentage of the production from Saskatchewan is sold on the world markets. How can the federal government fix prices for the produce which would be sold on the world market?

Mr. NOLLETT: There is a strong advocacy of a two-price system, as far as wheat is concerned. I agree that we should make the best deals we can, even if Canada did so unilaterally, better still, through the United Nations which ought to be its proper function. If this could not get you the price required, maybe then under that circumstance a two-price system might not be a bad thing.

A lot of these are good questions and I hope you will look at them. I kind of think that this approach that I am suggesting is pretty fundamental and basic. There will have to be some variations and it cannot all be done at once. But I think this is the objective we ought to work for.

Mr. CLERMONT: To meet the absolute price of the producer, have you any price in mind for the world market? In Calgary an increase of 50 cents per bushel was mentioned. If my memory serves me well, another witness mentioned 40 cents and in another case 60 cents was mentioned. Would you have any objection to commenting on what the world price for wheat should be?

Mr. NOLLETT: The world price, or what should be our price for wheat on the basis of the present costs? I cannot tell you just like that but you can work it out yourself, if you look at the table on the last page, take a look at the income that Saskatchewan farmers require and then determine what percentage of our production is wheat. From that you get a pretty good idea of what the price of wheat would be. For instance 1963 was one of our best years. On a surplus or deficit basis we had a surplus of $46 million. Then the next year, which was a good year, 18 bushels, we had a deficit of our Saskatchewan farms of about $180 million. Then in 1965, which was a good year too, we had a deficit of $21 million in our operation of farms in Saskatchewan. Now this should give you some idea. I have not the figures, but you hear a lot of people say wheat ought to be $2.75 a bushel. We do not know. The only way to find out is to measure it on the basis of statistics that are available—that is, the cost inputs in respect of the industry as a whole, and then determine what the price should be, based on long-term average years.

Mr. CLERMONT: Mr. Chairman, I do not want to doubt your figures, Mr. Nollett, but at page 8 you mention a cost per acre of $30.95, $31.26 and $32.08,

but today we were given different costs per acre. In one case it was $20 and in another case $22. Where is the spread coming in?

Mr. NOLLETT: I do not know if the figures you are quoting include all of these factors that are in this acreage cost study. These are based on Dominion Bureau of Statistics figures, acknowledged by the Canada Department of Agriculture. They include everything, as you see. There were 51 farm management clubs in the brown soil zone, 44 in the dark brown and 61 in the black soil zone. We have three major soil zones and there is some variation between each in per acre costs. Then they figured out the acres for crop land and, as you may have noticed, the cost per seeded acre, labour, machinery, custom work, profits, expenses. I do not know if the other figures you are speaking of took that into consideration or if they were based on the brown soil zone only. I do not know.

Mr. CLERMONT: Mr. Chairman, I understand Mr. Nollett is a former minister of agriculture so perhaps he could explain what is the difference between a farm and a farm club?

Mr. NOLLETT: These are farmers who have joined farm management clubs. This is part of the extension arm of the Department of Agriculture. Very close records are kept by these clubs under the guidance of a farm management supervisor. Records are kept of their total operations, their costs and this sort of thing. They represent, perhaps, the best farmers we have, from a managerial point of view. These are the ones that were in these clubs and this was a sample from some of these.

Mr. WATSON (*Assiniboia*): Mr. Chairman, I have one short question, with a little supplementary to follow. On the fixed prices, Mr. Nollett, I wonder if you could explain how you feel that the price mechanism stabilization of these prices by fixing will solve the farm problems?

Mr. NOLLETT: Well, because the prices would be maintained in relationship to total farm cost for the industry. If the index of costs went up then the price of farm commodities should go up correspondingly. Here again, you will probably think what I say is unorthodox, and it probably will be unpopular with some of you. This function can only be performed by the government. No one else can do. The wheat pool, as an organization cannot; farm organizations cannot; and marketing boards cannot do it. They have not got the fiscal power; they do not have the resources, and I am arguing that if costs go up that some control should be exercised over them if cost to the farmer goes up or, in the alternative, his prices should go up. If it is sauce for the goose it should be sauce for the gander.

Mr. WATSON (*Assiniboia*): Would you advocate putting control on production then?

Mr. NOLLETT: No, I would not. Probably it is just the opposite. This would encourage production. That is why I say, with this plan, we have to really go out and get these markets, and I think they are there. There are a lot of hungry people who are there if we will only get busy and find them.

Mr. JORGENSON: Mr. Chairman, I should like to pursue the line of questioning that Mr. Olson started. Mr. Nollett, you stated that you would like to see a reversal of the trend in the number of farmers. Do you not think that with

today's technology—I am thinking particularly of a wheat farmer and the type of machinery that is now available to produce a wheat crop—a reversal of that trend would create a tremendous amount of underemployment in agriculture?

Mr. NOLLETT: No, I do not. The wheat farmer would not be encouraged to diversify to the same extent for instance, the Regina plains is best suited to wheat production; but in other areas diversification would be encouraged, as well as intensification of production. When Mr. Horner said "diversification", I mean it. About the worst thing that could happen to us would be if all our farmers went into wheat. This is the cheapest dang commodity that we can produce for the world and produce it easily in its raw state. If we had more diversification, more processing in Canada and then shipment abroad. I think it would be better for our economy.

Mr. JORGENSON: Well, Mr. Nollett, this is the point I was making. If, under your plan, a guaranteed income is given to farmers it is only a natural tendency for farmers to want to produce the thing that is easiest for them to produce, and what you are going to find is that everybody will be producing wheat. No farmer, in his right mind, is going to feed stinking pigs if he can raise wheat. That means you are going to have to exercise some degree of control over production. You are going to have to do the very thing you say you do not want to do; you are going to have to tell farmers what they must produce because you cannot avoid it. I do not see how it is possible; under your plan, not to be able to give complete direction and have complete control over production.

Mr. NOLLETT: No. If it is required, I would suggest that we do what we did during the war, when we knew approximately how much bacon and dairy products we needed for Britain. We had these conferences every year, which were valuable. Then we said: This is about what we need, and we used to farm back these quotas. We would say to Saskatchewan farmers: More pigs to help win the war. Do you remember that? We can give some added incentive that way, but my biggest argument is that to get any production going and to stimulate it you have to have guaranteed prices. I am arguing, also, that price manipulation, particularly downward, as I say in this brief, is not an effective way; it is a very clumsy way of controlling production. It is a very cruel way. If you say to the farmer: You have too many pigs, the market drops out of pigs and he is punished. I think we need to get over that concept.

Mr. JORGENSON: Mr. Chairman, I am not convinced but I will pass.

Mr. DANFORTH: Mr. Chairman, the gentleman is to be commended on going into a new field, which has aroused a great deal of interest in this committee. We are all interested in anything that provides a Utopia for agriculture. I am certain that this new concept, which has been given to the committee tonight, has received a great deal of study. It has not been just produced on the spur of the moment. May I inquire what the thinking is in maintaining a price for farm produce? How are we going to prevent or control importations, taking into consideration the current negotiations going on at GATT right now, to reduce by 50 per cent even the present tariffs? Are we going to be priced into a position where we are going to advocate absolute embargo against importations? Certainly if we do, as has been pointed out by Mr. Jorgenson, Mr. Horner and Mr. Olson, set up what we consider a remunerative price for farm products, we are

certainly going to create a very lucrative market for importations. I wonder if you could give the committee your thinking as to how this very basic problem might be approached?

Mr. NOLLETT: This is true. In other words, you might encourage more mutton than we have ever had from New Zealand, for instance. But I do not think we should use the tariff technique. I think we should simply use quotas, like many countries are doing, particularly our neighbours to the South. They tell us every once in a while: we can only take so much of your barley or so much of your cattle. I think this is what we ought to do rather than monkeying with tariffs or tax because we have enough of that in Canada. Everyone will understand. We have enough. We do not want any more. My answer would be just do not have it come in, and that is all. With regard to mutton and lamb, as you know, we had a lot of sheep at one time. Canada was furnishing all but about 10 per cent of our needs. Gradually, over the years, even though we had a scarce market, a tremendous demand, mutton and lamb came in from New Zealand and Australia in increasing quantities and undersold us—and, our prices were low and we had a scarcity. You know, if this law of supply and demand works, the price of lamb and cattle should have been way up. However, it did not work that way. But you are dead right; we have to see to it that other segments of our industry do not get punished, as our sheep industry did, by this kind of importation. I think we would have to use some quotas.

Mr. DANFORTH: I just have one supplementary and then I will pass because I know there are other members who are vitally interested. What would be our position when you say that we should, perhaps, step away from the tariff protection and go into a quota section? What position would we be placed in, and I am using an extreme example, I think you will appreciate, if China says to us in negotiation: Unless you accept 300,000 units of automobiles from us we will have to cut back on our purchase by 50 million bushels of Canadian grain. How would we approach such a question?

Mr. NOLLETT: Like we do now. We are in that position right now, no matter what. These problems will arise; they will. They are some of the things that need to be ironed out. About this being Utopia, I freely admit you cannot bring about a Utopia; you cannot bring about a perfect and equitable distribution of income. The best way I know is to pay people for doing something and try to make a reasonably good redistribution. I readily admit there are lots of problems both in the export field and what have you, but I do believe that if we set ourselves on this course at least we are on sound ground.

The CHAIRMAN: Those are all the questioners I have on the list.

Mr. FORBES: I have just one question, Mr. Chairman.

The CHAIRMAN: Mr. Cadieu has had his hand up for several minutes but I did not have his name on the list.

Mr. CADIEU (*Meadow Lake*): Mr. Chairman, I just wanted to draw your attention to the other two witnesses we have at the table. When they knew we were coming to Saskatchewan they were not sure that we were just dealing strictly with wheat and agriculture. We are also the forestry committee. These gentlemen had gone to a considerable amount of work preparing a brief. I would

just like to ask, with your permission, that they be allowed to present this brief to the committee. They have put a lot of work into this brief, and I am sure it would be very valuable when we do get into forestry back in Ottawa.

The CHAIRMAN: Are you suggesting that the brief be gone over?

Mr. CADIEU (*Meadow Lake*): No. In view of the lateness of the hour and the other witnesses yet to appear, I think these gentlemen would be quite happy if, with your permission, they were allowed to present this brief to the committee?

Mr. BROCKELBANK: Without reading it and without comment. Is that what you mean?

Mr. CADIEU (*Meadow Lake*): No. I am sure the committee would like to hear your comments on it, but in view of the late hour, I would certainly hope we could move along.

Mr. BROCKELBANK: Well, we are in your hands.

The CHAIRMAN: Is the committee agreed to this?

Mr. SCHREYER: I would like to suggest that we have the brief either mailed to the committee at Ottawa or have a motion now to append it to the minutes of proceedings and evidence.

The CHAIRMAN: I think the witnesses realize that we have no authority to report to the house on forestry because we are supposed to be acting strictly on the operations of the wheat board. We have wandered all over the field. I would think it would be in order to have it printed as an appendix to our proceedings and accepted as that. We can certainly use it. I read it over just briefly while sitting here; there is a lot of worthwhile information in it. Is the committee agreed?

Some hon. MEMBERS: Agreed.

Mr. CADIEU (*Meadow Lake*): I think it would be a worthwhile appendix.

Mr. E. I. KRAMER (*M.L.A., Saskatchewan*): May I just make one suggestion that will take me only one minute, Mr. Chairman. I simply want to say that you have copies in French. Incidentally, the translation was done by Reverend Father Marchildon so, with your attention, it will be doubly blessed. I would like to draw your attention to the last sheet. Many of you, no doubt, think we are a province of dustbowls and so on, but we are not. The northern half carries quite a lot of forest. There are areas, we believe, in respect of which the federal government can co-operate and should co-operate. You will find them in item No. 1 and especially No. 5 in research. Please give it your attention. I would recommend it. We were fortunate to have Mr. Cadieu, our M.P., here. A great deal of his constitutency is covered with this forest. I hope Mr. Cadieu will take this brief and later on in committee at Ottawa possibly he will answer some questions. I would like you to carry the ball for us, Bert, if you would, knowing you are familiar with the problems.

Mr. CADIEU (*Meadow Lake*): I would be very happy to.

Mr. KRAMER: Thank you very much, Mr. Chairman and members of the Committee.

The CHAIRMAN: We will now proceed with our next witnesses. Our next witnesses are Mr. Roy Atkinson, President of the National Farmers Union and Mr. Thiessen, Secretary Treasurer. Most of you have met both these gentlemen before in the House of Commons committee at Ottawa or some other committee because they are very active. You may proceed, Mr. Atkinson.

Mr. ROY ATKINSON (*President, National Farmers Union*): Mr. Chairman, gentlemen of the House of Commons Committee on Agriculture, Forestry and Rural Development, and other participants, I wonder if before we proceed with this presentation, which I will synopsize as quickly as possible in order that we can get into the discussion area, knowing that the mind will only absorb what the seat will endure, if the committee would like to stand up and stretch for a few moments?

The CHAIRMAN: Medical science says that if a man sits down too long his brain does not work very well.

A short recess was taken.

Upon resuming.

The CHAIRMAN: I will call the meeting back to order, gentlemen.

Mr. ATKINSON: Gentlemen, let me first of all welcome you to the province of Saskatchewan. The welcome is from the farmers union, the National Farmers Union and the Saskatchewan Farmers Union in particular. We would particularly like to welcome back the members from Saskatchewan, Mr. Reynold Rapp, a former officer of the farmers union, and other members.

Our submission is presented on behalf of the farmers who are members of the National Farmers Union. We have no corporate image to maintain. We do not have large buildings which symbolize what we do. But we do have members who are active farmers, and those active farmers are interested in their own business.

May I give you a bit of the background of the Farm Union movement, I know that you have visited elevators, a farm distribution centre, stockyards, and terminal elevators. These institutions that you have witnessed are a result of the action taken by the farmers through the movement I represent. We have a long history, which I will not go into. It is put down for your information in the introduction to this presentation. Our function is education on behalf of the farmer. Our function is agitation and our function is protection. We have no vested commercial interest. We have no political interest. Our interest is solely policy relative to the farmer on the land.

We have been told a good deal about efficiency. Many people from governments, from commercial institutions and from universities have impressed upon the farmer the necessity of being efficient. We have no quarrel with this proposition provided the people who provide the services that farmers buy are efficient also; in other words, that the providers of the service are giving the farmer a dollars worth of value.

I must also state that in this province the farmers union was the initiator of the largest retail farm supply co-operative in Canada, the federated co-operatives. Probably you have seen some of their outlets; they retail farm supplies and other commodities which sometimes are referred to as consumer goods. We are also interested in efficiencies in the transportation system. We are interested in

the kind of technological development that is going on in terms of ocean shipping around the world. There used to be an old saying in this province that the only thing a farmer needed to know was the way to town, and the businessman would look after him. We think that some businessmen still believe this old adage to be true.

In your various activities this week, it might be appropriate to review some of the problems that are quickly descending on the farm front, as we see them, in terms of the present over-all grain handling and marketing situation, as it presently affects agricultural producers and the nature of the possible future trends.

There has been a very significant increase in farm capitalization in prairie agriculture. Mechanization over the past 20 years has replaced much farm labour. Prairie grains in general and wheat in particular are sold on the world market at world market prices and for this reason the prairie grain producer's ability to remain in business is geared to his productive ability, his ability to acquire large inputs of capital and to receive a price for his product sufficiently remunerative to remain in business. He must be as efficient as every other foreign producer and in many instances he must be more efficient because he is meeting the competition of much of the subsidized materials produced in other countries similar to that which he produces in this country.

We also, of course, work in terms of the international marketing of grain under the international wheat agreement, and we are presenting negotiating under the general agreement on tariffs and trade.

Recently, there has been a new development. In order to be a loyal Canadian a grain farmer must use more fertilizers and more chemicals and this is the sales pitch to the farmer. We encourage our people to use the most modern of scientific methods but we fear that there is a vested interest more concerned in selling chemicals and fertilizers than there is in the welfare of the farmer. We feel that some moderation should be used in this approach. In short then, modernization and re-organization of prairie grain production has proceeded at a relatively rapid rate in the past 20 years compared with other segments of industry related to the handling and marketing of grain, such as our country elevator system or our rail transportation system. The inefficiencies in these systems are becoming increasingly more costly to the primary producer.

As a consequence, because there is a heavy duplication of country elevator facilities at numerous delivery points, it is fairly obvious that many of these facilities are not handling sufficient volume of grain to operate at a profit for their owners. This can only mean that the tariff structure covering the entire system must be large enough to pay operators a profit on the operations of the total system to cover the losses that accrue to the low-volume facilities. We have been examining this question and on the basis of data we have received from the Board of Grain Commissioners, we find that a general rule of thumb, within the grain trade of previous years at the country elevator level, is that it must have an annual turnover of its capacity of three and one half times per annum to have an average storage of approximately 45 to 50 per cent of its total volume at all times in order to break even.

This is a general broad position and may vary from elevator to elevator according to the capacity situation. It does, nevertheless, take on considerable

significance when considered in the light of the following breakdown of the country elevator handling pattern in the 1964-65 crop year. Remember, there are 1,895 delivery points on the prairies, with approximately 5,200 elevators.

At the present time there are 233 prairie shipping points at which there are five or more elevators. This numerical count is not necessarily in itself proof of uneconomic duplication; there are ten major country elevator companies and allowing for the provincial segregation of the individual Pools, we could justifiably have eight companies represented at any point. However, a further examination of these high density points does suggest that they may be over-serviced. These 233 points involve some 1,322 eleevators with a total capacity of 116.7 million bushels but an average aggregate annual handling of only 157.5 million bushels. This yearly volume represents a capacity turnover of only 1.3 times.

There are only 135 shipping points at which the average annual turnover ratio is 3 to 1 or better.

There are still 117 points at which the handling ratio is less than 1 to 1 or, in other words, where the storage capacity is not completely turned over in 12 months.

There are 575 points at which more than one company is trying to achieve an economic operation on their share of less than 300,000 bushels of business annually. Again this does not necessarily imply an uneconomic operation at all or any one point; two 50,000 bushel elevators might be a sound operating arrangement if they each handled 150,000 bushels per year.

The predecing four paragraphs illustrate the pressing need for the introduction of more orderly planning in the construction of country elevator facilities on the prairies. It raises serious doubts as to the advisability of permitting elevator companies to construct facilities at will in various delivery points and raises the need for greater planning of location in the construction of future facilities.

The congestion of country elevators because of poor markets and low quotas following the post-war years and the early 1950's, resulted in a tremendous expansion of grain elevator storage facilities, and I might add much of it temporary. It has, in large measure, been a duplication of the storage facilities required in any event to be built by the individual farmer. This has proven to be a lucrative form of income for elevator companies as both government and farmer expense.

Only recently have railway companies shown any indications of changing the design of railway boxcars enabling them to be more economically and speedily loaded than the conventional types.

The imminent threat of the unprotected branch line abandonment in many areas will place still greater pressures for increased marketing costs on farmers. Many of the so-called uneconomic rail branch lines are, we believe, largely uneconomic because of the failure of railway companies to upgrade their own operations. Pressures will continue from elevator companies for higher tariffs to cover losses which may result to them through abandoned houses and the need for increased capital to build new and larger facilities on remaining lines. Many thousands of farmers will be affected through being required to haul grain to delivery points many miles further than has been the case traditionally. Farmers will be further affected through increased municipal tax assessments for upgrad-

ing rural road systems which will be required to withstand the weight of heavier and larger vehicles which will be needed to haul the grain greater distances.

The farmer, in short, is going to bear a major share of the cost burden in updating grain handling and transportation facilities.

Terminal facilities at both the west coast and the lakehead are probably becoming obsolete more rapidly than we may realize in light of the future possibilities which exist for the rapid movement of grain through the use of such devices as integral trains and bulk loading facilities, even if employed on a modified basis.

It is possible that your group may have viewed bulk loading facilities in use at the Port of Vancouver for the movement of such bulk commodities as potash, sulphur, iron ores, zinc, copper and so on.

The major blocks to the adoption of a bulk loading system for the movement of prairie grain is the cleaning process of the grain itself.

I might hasten to add the type of house that would expedite this kind of movement. I might say that we are still building the same pattern of house that we built 40 years ago except that it may have increased a little in size. Basically, the design has not changed. It has been suggested that inland government terminals, such as the ones located in Edmonton, Lethbridge, Moose Jaw and Saskatoon, might be modified by the installation of delivery facilities direct from the farm and employed as direct grain delivery houses by the producers or the grain farmer. Here grain could be cleaned to export standards for rapid loading into hopper cars and shipped either east or west for loading into ocean-going vessels through the rapid loading methods of bulk terminal facilities. This concept is a far cry from the present multi-stage system applied to the handling, storage and movement of prairie grain.

We would suggest that the four terminals mentioned above remain under the management of the Board of grain Commissioners; that the producers assign their deliveries to the account of the elevator company of their choice and that they be used rather than left idle. I would suggest this is an excellent experiment that ought to be carried on to test the validity of the proposition that we place before you.

We would suggest that these elevators remain under the management of the Board of Grain Commissioners, and I want to emphasize that. Another alternative that we should consider, we believe, is the joint construction of much larger houses than presently exist at delivery points, under any reconstruction program. I suggest joint construction by many elevator companies to reduce the costs of operation, in the interest of the farmer. We do this, for example, in Western Canada with livestock terminal markets. You can consign your beef to the agent of your preference. We might consider this, too, with regard to grain.

With this type of facility, grain could be cleaned to export standards, thereby saving the farmer the cost of shipping screenings to the Lakehead or to the west coast. It seems to me that every 1,000 carloads contain 60 carloads of screenings or something like that. It would further speed up the loading of vessels at ports, and I think this is important, especially when we think of the volume of material that is running through a port like Vancouver.

There is no doubt the cost of modernizing the grain handling system will be extracted in the long run from the producer himself. However, it is our view that care should be taken to avoid the pitfalls of the past which have permitted the costly over-expansion of grain handling facilities. The injection of proper planning into the future structure of our grain handling and transportation system cannot be over-emphasized, and this is an area in which government has a legitimate interest in providing guidance.

I suppose that in your trip west you found that the Canadian Wheat Board is an agency that finds genuine support in the farming community. We have had this year the largest record crop on record. We have successfully negotiated new sales contracts with the USSR, the People's Replublic of China, our traditional markets and we are developing markets around the world. You may notice I use the word "we"; it is in these terms the farmer thinks when he considers the Canadian Wheat Board. It is his agency and he is a part of it. Wheat no doubt will continue to enjoy the position of a top foreign exchange earning commodity for at least the foreseeable future. Prairie grain growers have just recently received their settlement for the 1965-66 crop year. It is the largest final payment on record and producers would be the first to concede that the marketing skills of the Canadian Wheat Board are largely responsible for this fine marketing record.

We would request that this committee, in reviewing the legislation pertaining to the Canadian Wheat Board, press to have the Canadian Wheat Board established on a permanent basis—that is, that the legislation be made permanent, and it should be responsible for export and domestic marketing. We also suggest to you that further grains, rapeseed, flax and rye be brought under the board. We think there are great advantages, for example, in developing markets around the world and having these commodities in a manageable position. We think it important that we develop sufficient volumes of these commodities to guarantee our customers future delivery on a long-term basis. We do know there are some problems related to flax and rapeseed which would require technical people to be attached to the board, but we think the effort would be worthwhile.

I notice that the initial price of wheat has been brought up before this committee. We raised this with the government, with the various agencies early in 1966, and we are suggesting that the initial price, basis Fort William-Port Arthur, of No. 1 be increased from $1.50 to $1.75.

In respect of the international wheat agreement which is presently being negotiated under the general agreement on tariffs and trades with a view to establishing a cereals agreement, I notice a typographical error; $2.12½ should read $2.02½. Our organization, of course, has been a long time supporter of international commodity agreements and we would urge the negotiators and this committee to press to have the new ceiling of the agreement established at $2.50 bushel, basis Fort William-Port Arthur.

As I said in my opening statement, we have dealt with the two major commodities of Canada. The next major commodity is the matter of dairying. We place before you the position of the dairy industry in Canada, the farmer in particular. We note the sharp decline in dairy herds. The number of cattle is now at its lowest level in the past 46 years. It has declined 86,000 head from 1965. All provinces with the exception of Quebec, shared in the reduction, which averaged

7 per cent in the prairie provinces, 6 per cent in the maritimes; in British Columbia the decline was 2 per cent and it was 3 per cent in Ontario. In 1966, farms in Quebec and Ontario were reported to have 71 per cent of the national dairy herd, and produced a similar proportion of milk.

It is clear that the decline in national milk production is largely due to the delay of the federal government in providing an adequate level of prices to producers for manufacturing milk which would compensate for the rapidly rising costs of production.

The dilemma of the manufacturing milk producer rests in part at least in the fact that his standards of production and his capitalization costs have been rising steadily while prices he received have not kept pace with pressures to improve his efficiency. The entire dairy business is highly complicated and is fragmented by jurisdictional questions, federal-provincial matters. For example, fluid milk falls into provincial jurisdiction governed by a provincial marketing control agencies. We believe that there should be some rationalization of these matters. We propose to you the consideration of provincial milk marketing agencies to operate under the national dairy commission for the purposes of regulating production, pricing and distribution of dairy products, with the objective of pooling all classifications of milk to realize a blended milk price to all producers.

We believe that one of the first actions of the Dairy Commission should be to increase the price of all quality milk used in other than the fluid milk market to a level that will net the producer a price of $5 per cwt., with corresponding prices applicable to farm-separated cream.

The new Dairy Commission will be in an ideal position to assist the federal government in implementing food aid programs to needy countries in that it will be able to assist in planning the production of dairy products in Canada on a continuing basis for this purpose.

We are, of course, aware of the reported statements of the Minister of Agriculture at the recent Dairy Farmers of Canada Annual Convention in Winnipeg. He emphasized that dairy farmers cannot expect an increase in direct subsidies for the coming year and that any moves to assist the dairy farmer cannot be based in the coming year on more money from the taxpayer's pocket.

May we merely observe at this time that increased prices in dairy products which result from supply shortages might in future come out of the pockets of taxpayers in their role as consumers in perhaps larger quantities or larger amounts than would be the case if a sound, stabilized dairy industry is established with adequate federal government financing by way of consumer subsidy.

The federal government must not forget that it holds far greater sway over the future economic destiny of agricultural producers than it does over those segments of our economy that contribute to the rising cost of farm production.

It should not, therefore, demand more from agricultural producers than it demands from such other segments in our economy. I suppose one might make the case in point of machine companies that are now largely based in the United States.

The next matter we want to bring to your attention is the matter of the St. Lawrence Seaway and the proposal of the Authority to increase tolls and lockage

fees. We have documented here the costs involved. We have placed our argument before you. We recommend to you that toll rates on bulk and general cargo passing through the St. Lawrence Seaway remain unchanged; that the Welland Canal remain as to toll-free passage for all bulk and general cargo vessels, and that the federal government continued to subsidize the Seaway operation until such time as volume of traffic is able to make the Seaway self-sufficient. I think it is significant that in the last couple of years there has been a sharp increase in the volume of commodities moving through the Seaway. All of which is respectfully submitted, Mr. Chairman.

The CHAIRMAN: Thank you, Mr. Atkinson. The first name on my list is that of Mr. Lefebvre.

Mr. LEFEBVRE: Mr. Chairman, I will try to be as brief as possible because I noticed that you were getting kind of cranky a while ago. On page 10 you mention the inland terminals which could be used for cleaning grain and getting it ready for direct shipment into ocean-going vessels. We visited one of these inland terminals this morning; apparently, it is known locally as a white elephant because it is hardly ever in use. I, and some of the other members also, I imagine, mentioned this. Why could it not be used just for this purpose? I think there were representatives of the Saskatchewan Wheat Pool there this morning, and they said the main reason for this was the difficulty in programming cars that far away from the vessel. Would you enlarge on this and give us your opinion on this problem?

Mr. ATKINSON: There is some problem related to the programming of cars in terms of the general standards of quality of grain moving out, but I do not believe this is an insumountable obstacle.

Mr. LEFEBVRE: Has any research into this been undertaken by your organization or any others to see if it is feasible or not?

Mr. ATKINSON: We have not undertaken any specific research on the matter; I am not aware that other people are doing research although I am aware that other people are interested. I might point out, in discussing this with you, that if you were to program only out of one elevator it might be a problem. But, it seems to me the range of choice is large enough, if we were to employ all the inland terminals, that this would make a major contribution to resolving this problem. Again, as I stated earlier, we would look upon this as an experiment to decide whether or not it is practical.

There is another kind of thing to consider, I suppose. It is that there are in stock, in some of the terminals, various grades and qualities of grain. Let us use wheat in particular. It seems to me there could be a way of programming a blending of this material to the satisfaction of everybody.

Mr. LEFEBVRE: You said that there would be 60 cars of screenings out of 1,000. Is that correct?

Mr. ATKINSON: This has been reported.

Mr. LEFEBVRE: Would it offset the cost of the 6¼ cent stopover charge which would be incurred?

Mr. ATKINSON: I see the question you are getting at. I think there would have to be some adjustments made here. I think there is no reason for charging

stopover costs because the grain will be delivered direct from the farm to the terminals.

Mr. LEFEBVRE: In other words, you would by-pass the terminal in Vancouver or wherever the port is?

Mr. ATKINSON: You may. This may be worked out. But I think the 6¼ cent stopover charge is referring to the country terminal.

Mr. LEFEBVRE: Yes.

Mr. ATKINSON: I am saying that this 6¼ cent stopover charge, with some changes in regulation, I think, could be shifted and that that terminal could be used for direct delivery from the farm to the elevator. The 6¼ cents now, as I understand it, is paid because the grain is put into the terminal, moved around and then taken back out.

Mr. ASSELIN (*Richmond-Wolfe*): I have a supplementary question, Mr. Chairman.

The CHAIRMAN: If it is agreeable to the questioner?

Mr. LEFEBVRE: Yes, Mr. Chairman.

Mr. ASSELIN (*Richmond-Wolfe*): There was a good point brought up this afternoon. I was wondering what your comment would be concerning pipelines. What would you have to say about that?

Mr. ATKINSON: I would say at this time one of the major problems in pipelining grain is the matter of a lubricant. Again, I am not competent in the field, so anything I say is said just from my own reasoning. I have understood some kind of lubricant would be required. There may be other engineering problems that I am not aware of.

Mr. LEFEBVRE: I would like to jump to page 16 and milk prices. You recommend that the producer receive $5 net per hundredweight immediately. Last year when it reached $4—most producers, I understand, are getting $4—this was a goal that took a long time to achieve. What is it going to be the year after, $6? Where is the limit?

Mr. ATKINSON: It may very well be. I would say that the limit will come when the decrease in your dairy herds has stabilized, and you can say that the farmers are now working and earning a decent living. For example, I talked to a dairy farmer in Winnipeg yesterday. He is delivering into the fluid milk shed at Winnipeg. As I understand it, he is getting $5.85 a hundred for fluid milk. On the basis of the cost accounting he keeps, he is netting 72 cents an hour.

Mr. LEFEBVRE: I would refer to one more statement having to do with milk. On page 17, you say that the federal government must not forget that it holds far greater sway over the future economic destiny of agricultural producers than it does over those segments of our economy that contribute to the rising cost of farm production. Would you enlarge on this and explain this statement?

Mr. ATKINSON: I am speaking in general terms now, I would say that the relative bargaining position of farmers is much weaker than, for example, a large corporation that operates nationally or internationally.

Mr. LEFEBVRE: Do you really believe that?

Mr. ATKINSON: Yes, I do.

Mr. LEFEBVRE: And you have such a large organization here, with thousands of militant members?

Mr. ATKINSON: Maybe I am not communicating with you. I am saying that the farmers do not have that strong bargaining position, individually.

Mr. LEFEBVRE: But they are not individuals. They are bargaining as a unit.

Mr. ATKINSON: Well, from time to time we do make significant gains. Well, let me ask you this question. If we had the bargaining power that you may think we have, how is it that as of one year ago producers of manufactured milk were receiving as low as, say, $3 a hundredweight.

Mr. LEFEBVRE: You are asking me that?

Mr. ATKINSON: Yes.

Mr. LEFEBVRE: If I knew the answer I would not have to be asking you these questions. I am here to ask you.

Mr. ATKINSON: Well, I am trying to answer your question by asking one.

Mr. LEFEBVRE: I think that is all, Mr. Chairman.

Mr. ATKINSON: I might just say that there have been some sectors of the agricultural community that have organized and bargained effectively for terms and conditions under which their products move.

Mr. PETERS: I was very interested in Mr. Atkinson's statement that there was a use for the inland terminal elevators but that we just had not been using them. How much reluctance is involved because of the philosophy of grain handling in western Canada in relation to the local elevator, and how much thought has the farmer given to the advantages that might accrue to him if elevator operation was to totally change. It is quite true that when a farmer used a team of horses he had to go to an elevator within a reasonable distance. But now they have trucks. It does not really matter if the farmer goes six miles or 20 miles. There is a cost factor, of course, but other than that it does not matter. Now, we understand that this elevator at Moose Jaw is a white elephant. It has a 5½ million bushel capacity and it is not used to any extent. Why has there not been increased pressure brought to bear? One of the other members today suggested that this was a white elephant, was not used, and obviously we should have sold this to the pool for $1 before they built their premises. If, as you said tonight, this can be used, it may play a role which would involve a complete change in transportation facilities. You would not use an elevator in Vancouver; you would use a dumping rack for boats—a loading platform of some kind. You would have to have special cars for this. That plant would have to be redesigned to handle only bulk carriers, as they would if they were hauling potash. They had one there today. You would have to redesign, I suppose, the grading and drying facilities and other things that go with it. Why is it that this type of thing has not been done?

Mr. ATKINSON: You have asked quite a few questions and I will try to pick them up one by one as I sort of caught them. In respect of this kind of terminal

facilities, it may be implied in our submission that it would be loaded directly into boats. This is a long-run objective. We may find, in the short-run, that we have to use a mix, using the boat direct and through terminals, for practical reasons in the short-run.

Mr. PETERS: Before you go on, if we used a telecommunication system similar to that now used by Air Canada, where it takes a matter of minutes to get an order from a stock broker in Vancouver to the pool, either this one or one of the other three terminal elevators, how long would it take for this order to be translated into wheat at Vancouver from any of the terminal elevators in Western Canada?

Mr. ATKINSON: First of all, I would think the people who know the management position of the grain would be the Canadian Wheat Board and, therefore, you would be dealing with them on this matter. They know the areas and the locations.

Mr. PETERS: They do this now, except they do not translate it.

Mr. ATKINSON: I think that is a question I would not be prepared to answer at the moment. This is a question which could be directed to the Canadian Wheat Board.

Mr. PETERS: Let me ask you another question.

Mr. ATKINSON: Now, just hold it, because I want to answer some of your original questions. You asked how is it the pressure has not come? Well we moved from a storage position to a moving position, have we not? As long as we were in the storage position, the practicality of the thing was not as significant as it is now.

The other matter one could consider, I suppose, is the unprotected branch lines, some of which probably will fall by the wayside or maybe all of them. You raised the question of a white elephant. It seems to me it is a nice label to put on a facility like that, especially if the mechanisms that are available are such that it is not being used. But I would submit to you that the way to change this is not to call it a white elephant but to change the mechanism and use it. And, use it with this in mind, that what Canada needs, in terms of an international movement of grain, is the most efficient kind of system possible with all the fat cut out of it, all the duplication cut out of it, so that we can move into the world markets, and return to the farmer a maximum.

Mr. PETERS: Does this mean then that the other vested interests, the pools, the grain companies—you mentioned eight major facilities—are reluctant to see any change take place that would funnel all their grain through the terminal elevators at the ports rather than locally because the government would then be operating the facility that they now receive a fairly lucrative return from.

Mr. ATKINSON: Well, I think that is a very significant question. It is not a simple matter because these grain companies and co-operatives are farmer-owned. I am a member of them and, by golly, I want them to operate on my behalf as efficiently as they possibly can because it is in my interest. The more money they return to me, the better my net position is. That is one point. The other point is that you have, as I pointed out, eight different grain companies. Many of them are situated at the same point. Many of them are at the moment

struggling for survival because as I stated in the brief some of these houses are turning only 1.1 times a year. In other words, they are in a very precarious position. I think I would have to say that each one is playing for item, hoping to catch his competitor at a disadvantage so that he can move. It is like a game of chess. Those of you who understand the nature of business enterprise know you are playing the game all the time. Therefore, they do have a vested interest in it. As a matter of fact, for some of them, I suppose, their very survival as a corporate entity is at stake. As you know, the representative of the corporation always likes to present a nice tidy corporate image to the public, not like me as a farmer, but tidy. By golly, he might not be able to do that if he happens to go out of business. So the point I am making here is that it is a really difficult situation.

The alternative that we propose is that we do have these terminals. Why do we not use them so the farmer can deliver directly to them. He can make his choice as to who he wants to consign his grain to, and you are not going to hurt anybody.

Mr. PETERS: You mentioned part of the problem stems from the fact there is no machinery now. As I understand it, the ship broker makes the decision as to what grade of wheat is to be made available to his company. He also, no doubt, has certain connections that he would lose if the wheat board assumed part of this responsibility for having his order translated into a terminal shipment that went directly from these inland terminals to the loading facility, with no other intermediary.

Mr. ATKINSON: You are talking about folks who own a terminal elevator. There is a commission or a fee. This is true; this is a problem, right.

Mr. PETERS: There is one other question I would like to ask. We have had a great deal of comment at various times over the years since I have been a member of the House with respect to boxcars. It has been less prevalent since Hazen Argue was promoted to another place, and since the Bracken inquiry which, I think, did iron out some of the problems in this field. The allocation of boxcars still appears to be a problem. We had a telegram yesterday from northern Alberta that boxcars were not available. I have been impressed with the co-ordinating work that Riddell has done at the port. Would the National Farmers Union recommend that we retain a person as a commissioner, similar to the commissioner we had during the war, under the war emergency act, to arbitrate a decision in respect of arguments that develop between elevators, elevator companies, with the farmers in the background, and the railway companies that, quite often, find it more advantageous to go to an elevator close by. In other words, would you recommend that we have someone to arbitrate between the three levels?

Mr. ATKINSON: I think the answer to your question falls in this kind of a frame. I think, first of all, we have to concentrate on upgrading railway rolling stock. I think we have to concern ourselves with modernizing and upgrading the handling facilities so that rolling stock is not tied up too long. Work is under way at the moment in the port of Vancouver and, hopefully, it will be completed, to modernize and increase the logistics of moving materials out of the marshalling yards and into position for loading boats. I think this is the major area that we

want to concern ourselves with. In respect of the question of boxcars and their allocations, sure, we know that the railways, being good business people, sometimes too good as far as the farmer is concerned, are more interested in using their cars for what they term more advantageous purposes in terms of an earning position. We have to jack them around. I think, with the mechanism we now have, that this can be done. For example, we receive requests at our office from time to time from points that are having difficulty with boxcars and we seem to have ways and means of resolving these difficulties. I think if people would use the ways that are open to them, it would help. However, I would have to add that we have to be on top of the railroads all the time; keep them informed of what is going on and let them know we know what they are doing. Public opinion has a great influence. For example, a couple of years ago, when the Canadian Pacific Railway was a little lax in supplying boxcars on some of their lines, we were raising cain about it. The Minister of Agriculture came out and made some statements and, by golly, things started to change pretty rapidly. I think there are ways open to us now.

Mr. CLERMONT: Mr. Chairman, the brief states that one of the first decisions of the dairy commission should be to give dairy producers delivering industrial milk or cream to the manufacturers, $5 per hundred pounds net. Would this $5 be reached either by giving a subsidy to the consumer or to the producer, or increasing prices to the consumer?

Mr. ATKINSON: I would say that we should use both techniques. Certainly, if it is necessary, then it should be a subsidy to the consumer.

Mr. CLERMONT: To the consumer?

Mr. ATKINSON: Yes. Let me explain. After all, it costs X number of dollars to produce one hundred pounds of milk. It costs that much to put it on the market. Therefore, if you insist that the farmer subsidize that, then it is the farmer who subsidizes it. If the farmer subsidizes, it amounts to a transfer of capital from his business to another business and through that other business to the consumer.

Mr. CLERMONT: But some products, like milk powder, are mostly for export.

Mr. ATKINSON: I beg you pardon?

Mr. CLERMONT: What about milk powder which, I understand, is mostly for export?

Mr. ATKINSON: Well, as I understand it now, provision is made to take care of milk powder through the program, with a 10 cent reduction.

Mr. CLERMONT: When you estimate a price of $2.50 per bushel for wheat are you basing your $2.50 on the cost price to the producer or the ability of the purchasing nation to buy it?

Mr. ATKINSON: We are now talking about the commercial markets of the world, we are not talking about developing nations. We are talking about two things: the cost of production to the producer, and an adequate return on his capital and investment—there is nothing wrong with making a profit; and the other is the ability of the nation to pay.

Let me just pursue this further. If we were to move the other route and depress the world price of wheat, which is a major commodity, by reducing the

price on the international market, it would be detrimental to developing countries like Ghana and Nigeria, where we are investing capital, who are trying to raise their industrial and agricultural productivity by undercutting such commodities as cocoa and coffee, and depressing these commodities in the world market. Therefore, we believe it is in our interest and in their interest to strengthen a very important commodity, namely grain.

Mr. JORGENSON: Mr. Chairman, I should like, first of all, to raise a point of order. Mr. Atkinson very ably summarized great portions of his brief and I would not want only that portion that was read appear.

The CHAIRMAN: We have a motion drafted.

Mr. JORGENSON: The entire brief should be printed.

I want to deal with a question that Mr. Atkinson raised in connection with terminal facilities and grain handling facilities. I want to thank him for his suggestions and ideas on this subject because primarily this is the purpose of this trip. You mention that grain could be cleaned in the inland terminals and then shipped directly for loading onto the ships. I wonder how it would, first of all, be possible to ensure that there was no contamination of the grain from the time that it left the inland terminal until it was loaded on the ship. I understand that is a problem and the Board of Grain Commissioners, through their inspectors, carry on a very careful examination of the grain through its various processes in the terminal elevators to ensure that no such contamination takes place and, secondly, that the proper grade and the proper quantity of grain is loaded into the ships. It seems to me there there might be some difficulty in that respect and also in attempting to get the proper weight. As you know, in shipping boxcars, there is a shrinkage that takes place and the possibility exists that you will not get the proper weight and the proper grade of grain on the certificate that the shipper gets.

Mr. ATKINSON: I think this is a purely technical problem; the matter of maintaining purity, if you will, can be overcome by sealing cars. The matter of weighing can be done by automatic weighing at the other end.

Mr. JORGENSON: You really do not foresee any difficulty in this respect?

Mr. ATKINSON: I do not foresee any major difficulty. We will have to gain experience in it but I do not foresee any major difficulty.

Mr. JORGENSON: You state on page 12 of your brief that you would like to have the Canadian Wheat Board placed on a permanent basis, by legislation in Ottawa. I wonder if you could tell me just what could be permanent in the way of legislation in the House of Commons. What may be permanent with one government may not be so permanent with another. I just wonder how you could make that legislation permanent. In connection with that, do you not think the reviews that must of necessity take place, when the legislation is up for renewal every three years, is not a good idea because it does give the members of the House of Commons an opportunity to raise any objections, to bring up problems that arise during the course of the three-year period and draws attention, perhaps, to some of the facets and aspects of the act that should be changed.

Mr. ATKINSON: Mr. Jorgenson and members of the committee, in answer to this question, I think there is great advantage in establishing, even in the terminology, permanent legislation. It is a psychological thing, I suppose, because, as you point out, a future government can wipe the legislation off the books.

Mr. JORGENSON: It is not likely that they will. I say they could.

Mr. ATKINSON: I think it would help in this regard—and I think this is very important—that it would assist the wheat board, in the management of the business, to know that this thing is set on the statute books in a permanent way. I think this is a very practical consideration. With regard to the fact that this committee and Parliament reviews the operations of the Canadian Wheat Board every year, I do not think this would be a change. You could still review it. I would like to see the power of this committee strengthened even beyond what you now have. Rather than to look at the Canadian Wheat Board legislation and to argue that it should be maintained on a temporary basis because of the fact this committee reviews it from time to time, I would consider the proper approach to be that this committee have greater powers in carrying on its day to day work as part of the legislation process in Canada.

Mr. JORGENSON: I just want to be sure I understand you. Are you suggesting that the committee be given the power to legislate in this connection?

Mr. ATKINSON: No, no. I am saying that the committee be given powers to investigate, that they be given broad powers of investigation.

Mr. JORGENSON: You understand, Mr. Atkinson, that to a large extent we do that now, mind you, with the limitation that it must be referred to the committee.

The CHAIRMAN: We cannot review the wheat board now unless the minister asks the House to direct the committee to review it.

Mr. ATKINSON: Might I say that we are not interested in punching any more holes in the wheat board bucket; we are interested in good solid legislation and a good solid committee to do the work we expect the committee to do.

The CHAIRMAN: We have some pretty solid members here, but some are getting rather weary.

Mr. RAPP: Mr. Chairman, some of the questions I intended to ask have been asked and answered. I would like to say that this brief is more specific in its presentation than some of the other presentations we have heard. For instance, you are not afraid to say that the initial payment should be 25 cents more and that the international wheat price should be at least $2.50. Some other briefs that were presented stayed away from these figures. I know that our representation in Geneva will be faced with a very serious problem in April when asking for an increased price under the international wheat agreement. Is unemployment insurance for farm labour, which will begin on April 1st, something you have advocated or something you had looked forward to?

Mr. ATKINSON: Well, first of all, I would like to say that the international negotiations at Geneva, on the matter of the international commodity agreement on grains, will be well represented, Mr. Rapp, as I will be there representing the National Farmers Union.

On the matter of unemployment insurance, it is something that we have advocated for many, many years. Generally speaking, our people are accepting it fairly enthusiastically, although they are going to have to get used to some of the procedures that are being used. I think we can say that a little later on we may be making representations to the government on some modifications in terms of procedure. I think we have to wait and see how the thing works before we can say what these will be.

Mr. RAPP: If you are going to be a representative in Geneva, will you see that our neighbours to the South do not take advantage of us and present only their case.

Mr. ATKINSON: I might say, on this matter, Mr. Rapp, that the National Farmers Union in Canada has been in constant touch with the National Farmers Union in the United States. The National Farmers Union there have presented a very strong case to Washington. It is a case that we as Canadians can support and in as much as we have taken these measures we have been talking and will continue to talk with them.

Mr. FORBES: Could I ask one supplementary question? You have suggested that the initial price should be raised?

Mr. ATKINSON: Yes.

Mr. FORBES: What advantage would this be to the farmer in view of the fact that he can get cash advances, interest free, on his grain?

Mr. ATKINSON: I suppose the general advantage is that at the time of delivery those farmers who do not avail themselves of cash advances would have an extra 25 cents a bushel to use to carry on their immediate operating expenses.

Mr. FORBES: They are not going to avail themselves of that either because they can get it just by asking.

Mr. ATKINSON: Well, this is true, but when we think in terms of—

Mr. STUART A. THIESSEN (*Secretary Treasurer, National Farmers Union*): He does not get the initial price on this cash advance.

Mr. FORBES: It depends on the quantity he has in the granary.

Mr. THIESSEN: He can still take the cash advance but that has nothing to do with the initial price.

Mr. FORBES: But I presume that you are asking for this to put more money in his pocket and it would not make much difference to him if he can get the money interest free now, in the way of a cash advance, or later on in the matter of a price.

Mr. ATKINSON: Well, our people, who we are guided by, believe that it would be advantageous to them to have that additional increase in the initial price, notwithstanding the fact that they know they can avail themselves of the interest free cash advance, and many of them do.

Mr. RAPP: But the wheat board will be borrowing it and paying interest on it, and this may come out of our final payment.

Mr. ATKINSON: But on the other side of the coin, the farmer also is a borrower of money and my experience has been that the cost of money to the farmer is higher than the cost of money to the Canadian Wheat Board.

Mr. THIESSEN: Another point on this is that it would demonstrate a greater degree of confidence by the Canadian government in the marketing abilities of the Canadian Wheat Board than they are showing with the $1.50 initial price, which is 12½ cents below the floor price of the international wheat agreement.

Mr. RAPP: There are two sides to the picture.

Mr. THIESSEN: Yes, there are two sides to everything.

Mr. GRILLS: Mr. Atkinson, I was interested in your dairy policy and if there was nothing else I ever agreed with you on I would agree that your thinking here is positive. You have recognized the position of the dairy farmer in Canada. I often think we should ask this question: Why is our milk production going down? I think, regardless of your comments, it is about as simple as this: the farmers are getting tired of the seven day week; they are getting tired of milking cows and caring for those cows seven days a week. While Dad is carrying on, the son says: Not for me. Dad is going to carry on as long as he can, and I think we should be very conscious of this. This is why we are short of dairy products.

I would like to ask our friend what, in his opinion, is the complete answer to this?

Mr. ATKINSON: How long are you prepared to stay? Solomon passed away many years ago. I do not profess to be Solomon, but I would suggest to you that this whole problem can best be resolved by a shift of jurisdictional responsibility and I suppose it would have to be from the provinces to the national dairy authority, in order that the national dairy authority be in a strong management-position; in order that the differences of interest in the various regions of Canada can be rationalized so they do not become conflicts of interest; in order that a proper allocation of the total output of milk can be made to the various commodities that result from milk; in order that the dairy farmer himself is in a position to hold discussions and negotiations with some body that is charged with the responsibility for dairy products in Canada.

Mr. GRILLS: You do agree the standards have to be brought up. What are we going to do with the little farmer who cannot meet those standards?

Mr. ATKINSON: You raised the question of standards and certainly we have to be concerned about them. I think the matter here is resolved in this way: that the smaller farmer who has the capacity to improve himself is given the opportunity to improve himself and to share in an ever-expanding market because it is expanding. I am not convinced—nobody yet has convinced me—because a farmer is a small farmer, defined in terms of number of cows or acreage, that he is necessarily an inefficient farmer. Many of these people are much more efficient than some of the larger operators and given the opportunity could be equally as productive.

Mr. GRILLS: Thank you kindly.

The CHAIRMAN: Mr. Ricard?

Mr. RICARD: In view of the lateness of the hour, I pass.

The CHAIRMAN: Thank you Mr. Ricard, Mr. Godin?

(*Translation*)

Mr. GODIN: My question is in regard to grain movement. At the present time, in a hundred carloads of wheat shipped to Vancouver, what is set for export and what is left? Is it worth your while to use it for feeding cattle?

(*English*)

Mr. ATKINSON: The grain that is shipped to Vancouver is cleaned there and the screenings are salvaged for the purposes of both livestock feeding and poultry feeding generally in the area of Vancouver, the lower Fraser Valley.

The CHAIRMAN: Is that all, Mr. Godin?

Mr. WATSON (*Assiniboia*): Mr. Chairman, referring to the terminal elevator at Moose Jaw, and going back to the philosophy of transporting the grain in bulk lots, we found, from listening to witnesses in Vancouver, that it was not a practical means because you could not have the proper type and proper amount to fill, say, million bushel ships. How do you feel this could be overcome, taking in consideration that we could have half a dozen ships there, one ship maybe wanting a big cargo of no. 6 wheat and another one wanting no. 4, under the present regulations where this type of grain cannot be mixed at the terminal elevators?

Mr. ATKINSON: First, we agree that in the short run there are some problems and these are technical. However, we think they can be resolved. Second, the ships that are coming are coming for various grades of grain and there are problems with cargoes. But certainly all the ships would not be filled out of one terminal. There must be ships moving in that do demand the kind available at half a dozen terminals, if we visualize using all the inland terminals for this purpose and programming out in a way to blend. Therefore, I think we would have to gain some experience in order to answer your question. I am sure it is technically feasible that we can gain that experience. The only thing we await is a decision to do it. I know we can do that.

Mr. WATSON (*Assiniboia*): I must say I feel, having checked over this brief, that it contains a lot of good ideas, particularly pertaining to the transportation set-up. I have to agree with it, I wanted to ask one more question. At the present time in southern Saskatchewan,—I am not aware of the situation in the north—we have generally pretty fair quotas. Why is it that they are now in the midst of putting, I believe, a thousand carloads a week in that Moose Jaw elevator as against other times of the year. I refer to July and August, which is the end of our crop year and the beginning of the new crop year, when we can never put enough pressure on to get any wheat into it. In your opinion, what is the reason they are doing it now?

Mr. ATKINSON: Well, I suspect there are a couple of reasons. One of the reasons is that some of the facilities at the export points are filling up or are full. The other reason is that there has been pressure put on to have the Moose Jaw elevator filled. For example, reference was made to a white elephant. Well, you

know that nobody wants a white elephant. So what do you do? You try to remove the label of white elephant. As I suggested, Mr. Watson, and I think you agree, let us change the method we do business by. Instead of using it as an example of a white elephant let us make it an example of what is possible.

Mr. WATSON (*Assiniboia*): Well I could not agree with you more. Possibly I might be responsible for the term "white elephant". I am happy that we did have the agriculture committee out there because, now, 40 members at least know what I refer to when I speak of the terminal elevators not being used in the manner I feel they should be used.

The CHAIRMAN: We were quite surprised, I feel we should tell Mr. Atkinson, how much it was being used the day we were there.

Mr. ATKINSON: I think that is a result, as I said, of pressure that has been brought to bear.

Mr. THIESSEN: That is because they knew you were coming.

Mr. WATSON (*Assiniboia*): When did they start unloading the thousand carloads a week? I think this is a very appropriate question.

Mr. LEFEBVRE: Yesterday.

Mr. WATSON (*Assiniboia*): I agree with you; that is possibly a correct answer.

Mr. LEFEBVRE: I have a supplementary question. Do you think it is a good idea for the committee to travel, as we have done, to meet with you people locally rather than stay in Ottawa and hear you there?

Mr. ATKINSON: May I say that I am very pleased that you have taken the initiative to come out and have a bird's eye view of what the thing is all about. If you see it you can sort of get the feel of it. I would caution you though; what you have seen as an example is only a bird's eye view. There is much more to see. In terms of Canada—and I am a Canadian—I think the more our people move around the country, the more exchanges we have of all kinds, the better Canada is and the better the people are in it. I think this is very commendable and I hope you would continue these kind of excursions to broaden your own frame of reference and get to know the people better.

Mr. ASSELIN (*Richmond Wolfe*): You should visit the eastern part of Canada, too.

The CHAIRMAN: If we live through this trip, with the hours we are putting in, and recuperate, I do not know whether or not we will be recommending another. We are putting in about 20 hours a day, about the same as farm organizers.

Mr. ATKINSON: Let me say that I have some experience in meeting with parliamentarians and, generally speaking, they are a hard-working crew. Many times the general public do not appreciate all the work they are doing. I want to say that as an organization we may not agree with everything that happens but we are cognizant of the work that many of the people do in Parliament.

Mr. ASSELIN (*Richmond-Wolfe*): I would just like to suggest that Mr. Atkinson repeat that statement tomorrow morning when the reporters are here.

The CHAIRMAN: I would ask him to repeat that tomorrow night when he speaks in my constituency.

Mr. SCHREYER: Mr. Chairman, after all of that back patting, I will confine myself to just one question. We are led to believe that stop-off charges and other technical problems work against the idea that we could use these inland terminals more. But now we find they are, in fact, being used more. Mr. Atkinson, you are suggesting here that they might be used as direct grain delivery receiving points. It sounds like a good idea but I suppose one would have to treat them in a slightly different way than ordinary country elevators in terms of delivery points. They would have to be regarded as sort of alternate or second delivery points for permit holders so that those permit holders, as they deliver grain to country elevators, if there is a plugged condition in the elevators, could start delivery direct to these inland terminals, say, from a radius of 20, 30 or 40 miles. Do you think it could be worked this way, that these inland terminals, when they are being used for direct delivery, would have to be regarded as second delivery points.

Mr. ATKINSON: First of all, may I put on record the fact that when this grain is diverted into terminals there are extra charges, and the farmer pays for those charges. That is the first thing. Now, the question of whether there be an alternate delivery point or not, I have not really thought through this far. I would suggest, at least in the initial stages, that they should be declared a delivery point and producers be offered the opportunity to deliver there. We may find that in a very short time the other thing has resolved itself.

Mr. WATSON (*Assiniboia*): Mr. Atkinson, I have a supplementary on this same topic. What would your reaction be to doing away with delivery points entirely under the quota system?

Mr. ATKINSON: I will answer that one very directly. I do not think we can do away with the quota system. Let me say why.

Mr. WATSON (*Assiniboia*): I did not ask that. I maintain that we have to keep the quota system 100 per cent, the same as it is today. The only thing is, we live in a certain town and that is our delivery point. Do away with that specific delivery point so I can haul to my home town or to Moose Jaw if this elevator was made into a regional elevator or an elevator that had trucking facilities.

Mr. ATKINSON: I would envisage, as a problem, managing the supplies of grains out of an area. I am now talking about wheat board management and the movement of supplies out. I do not think this is an insurmountable obstacle but I do not feel competent to answer your question at this point. I raise this other problem that I could see.

Mr. SCHREYER: Well, I do not like to keep members here longer than necessary. My question is along the lines of the one that Mr. Watson put to you. It is not really that many years ago that the single delivery point system was introduced and in my part of the country, in east central Manitoba, in some instances shipping points consist of only one elevator; in some cases they are line elevator companies, and there are growing complaints that producers in that area are tied too rigidly and that they should have—they regard it as a

reasonable request—a second delivery point option. Do you think this kind of request is feasible and practical, and is this kind of problem of any consequence in Saskatchewan?

Mr. ATKINSON: I would say this depends to a large degree on whether or not this was a single elevator point.

Mr. SCHREYER: In Saskatchewan this would not be the case too often.

Mr. ATKINSON: Very much so. We have many single elevator points.

Mr. SCHREYER: Could I ask a question which requires a very brief answer? Has the NFU ever made a request that in those shipping points where there is only a single elevator company in operation, that producers in that area be somehow allowed to double delivery point.

Mr. ATKINSON: No, we have never made such a request. As a matter of fact, nothing has ever come to us that would indicate there was pressure for this kind of thing in an organized way.

Mr. PETERS: Could I ask a question? I notice on this map there are numbers and divisions of some description. What is the significance of the division to a pool elevator? Does it cost you more to ship from the centre of Saskatchewan than the west border, west?

Mr. ATKINSON: The breaking point is about 100 miles east—I do not think it runs in a straight line in terms of Saskatchewan—from the Alberta border. There are various breaks in transportation. For example, I think the highest is about 23½ cents and then it goes down each way.

Mr. PETERS: That is on the basis of these divisions?

Mr. ATKINSON: No, no; that is a wheat pool district. That map has no significance to transportation charges.

(Translation)

Mr. CLERMONT: I want to say we want to express our thanks to the interpreters who have had to speak all the time and we want to thank the personnel who recorded those meetings.

(English)

The CHAIRMAN: I was thinking about that because I had a note made.

Mr. CLERMONT: I wanted to mention that in French.

The CHAIRMAN: Well, I am sure they would have understood in English, too. I want a motion that this brief be printed. Is it agreed? I want to thank Mr. Atkinson and Mr. Thiessen for appearing before us. I wish Mr. Atkinson a safe journey to and from the most southerly part of Canada, the most productive part of Canada. When you are there you will see some of the most modern elevators in the world.

Mr. ATKINSON: Thank you very much, and thank you gentlemen too for bearing with us and suffering in silence.

APPENDIX I

Statement to
House of Commons Standing Committee
on Agriculture, Forestry and Rural Development
during the Committee's visit to Regina
on
FEBRUARY 8, 1967,
by
SASKATCHEWAN WHEAT POOL.

1. Introduction
2. The Pool's Aims and Objectives
3. The Pool's Democratic Structure
4. The Pool's Role As A Co-operative
5. Pool Members Are Informed Farmers
6. The Pool and The Market Place
7. The Pool and Its Services for Farmers Members
8. The Pool and Its Employees
9. Farmers Face Three Kinds of Problems
10. The Pool and the Canadian Wheat Board
11. The Pool and the Board of Grain Commissioners for Canada
12. The Pool and the Movement of Prairie Grain
13. The Pool and the International Wheat Agreement
14. The Pool and International Trade Policy
15. The Pool and Transportation Policy
16. The Pool and A.R.D.A.
17. The Pool and Federal Programs to Assist Farmers
18. The Pool and Farmer Income
19. The Poold and the Taxation of Co-operatives
20. A Concluding Comment

Mr. Chairman and Committee Members:

1. *Introduction*

On behalf of the farmers who own and operate Saskatchewan Wheat Pool we welcome you to Regina, which among other things is the location of our Head Office, the geographic centre of Canada's wheat belt, the home of a number of other important co-operatives and also of the Grey Cup champion Saskatchewan Roughriders football club. We are all very pleased indeed to have you come our way to give us the opportunity to tell you something about the matters which seem most important to us.

Our intention in this statement is to outline as clearly and as briefly as possible the role of Saskatchewan Wheat Pool in the agricultural industry of Canada and to bring to your attention some of the perplexing problems which confront the Pool and its farmer members. We have a number of formal briefs and submissions on some of the questions raised in this statement and copies of these other documents will be made available if you wish. We are available to answer any questions the statement suggests.

2. *The Pool's Aims and Objectives*

A good place to begin is to tell you something about who we are and what we do at Saskatchewan Wheat Pool. In the first place we are a voluntary association of farmers. We are organized as a co-operative and our aim is "to be a farm organization dedicated to the improvement of the social and economic conditions of Saskatchewan farm families." We attempt to meet this aim by carrying out a variety of objectives:

1. We maintain a democratic structure which provides a forum for the development and promotion of agricultural policies.

2. We seek to increase understanding and knowledge of co-operative philosophy and to assist in the development of the Co-operative Movement in all its phases.

3. We maintain a well-informed membership through educational and informational programs dealing with all aspects of agricultural production and marketing.

4. We promote development of markets at adequate prices for the products of Saskatchewan farms.

5. We promote and provide co-operative and other services required by farmers in the production and marketing of agricultural products, thereby reducing speculation, manipulation and waste.

6. We create working conditions and training opportunities in which our staff members will be encouraged to grow and develop with the organization.

We have for each of you a copy of our most recent annual report which records how we sought to meet those objectives during the year ended July 31, 1966. We'd like to discuss briefly the role of the Wheat Pool in achieving each of these six objectives.

3. *The Pool's Democratic Structure*

Any farmer may become a member of the Pool for the purchase of a one dollar ($1.) membership share. This amount is payable only once. Saskatchewan Wheat Pool was organized in 1924 and we now have something like 80,000 active farmer members. Our membership represents a large portion of all Saskatchewan farmers who number in total about 90,000.

For electoral purposes within the Pool framework, the province is divided into 162 sub-districts which are grouped into 16 districts. Farmers in each sub-district elect one of their number to be a delegate. These elections used to be

held annually but now come only once in two years. Delegates meet together usually only once a year at our annual general meeting which occurs each November.

Each of the 16 districts has nine or ten sub-districts. These districts and sub-districts are shown on the calendar maps which have been provided for each of you. Two or three times a year the delegates in each district meet together and at one of these meetings they name one of their number to be a Director.

Directors meet regularly every month to direct affairs of the company and to consider whatever other matters merit the consideration of representatives of so many farmers and the discussion at these meetings is varied and broad in scope. Once a year the 16 Directors hold elections among themselves to select a President, the two Vice-Presidents and members of the various Board Committees.

Any individual farmer member who wants to bring a matter to our formal atention may first raise his question at a meeting of Pool members which are held from time to time by shareholders or their elected committees at the various grain delivery points or by discussing the issue with his Delegate. The Delegate may raise the matter at a meeting of District delegates or at the annual meeting. Directors may raise questions at the Board level any time during the year.

On the other hand an individual member may raise his question with the Pool's Head Office and often this is the way he does get attention. Some matters may be decided by the Directors and some require approval of the delegates at annual meeting. Many questions are constantly under discussion in the country and at any time the Pool's position may be challenged by individual farmers who are members. Sometimes those who are not members challenge our position on a given question and these must be answered too.

4. *The Pool's Role As a Co-operative*

Saskatchewan Wheat Pool is a co-operative. In terms of market importance we are Canada's largest co-operative and we take this primary role extremely seriously. Throughout the years we have often been actively associated with individual farmers in formation of new co-operatives. We give advice, we offer the help of delegates and staff and sometimes we put up some funds to get new co-operative ventures started.

We are a member of the Co-operative Development Association of Saskatchewan which is a federation of all co-operatives in the province. We are also a member of the Co-operative Union of Canada which is spokesman for all co-operatives in the country and we support the International Co-operative Alliance which is the world body of co-operatives. Wherever there is a question which interests co-operatives there also is the interest of Saskatchewan Wheat Pool.

5. *Pool Members Are Informed Farmers*

From the outset Saskatchewan Wheat Pool has been interested in keeping our farmer-membership informed. We do this in a number of ways. Our extension department has a full-time trained fieldman working in each of the 16

districts. Each of our operating divisions has staff who are constantly available to the farmer to help him with his problems.

We support the University of Saskatchewan with annual grants and with a variety of scholarships and bursaries. We support the 4-H movement which is focused on the young people on the farms. We take part in adult education programs of many kinds, including a regular program of meetings with our elected committees. We have an expanding staff of professionals in many disciplines who are available not only to help our farmer members but who also engage actively in the work of their professional associations and in this way help to keep others informed of the problems back on the farm. On questions of public policy we consider ourselves a primary spokesman for our membership.

6. *The Pool And The Market Place*

Grain and livestock are the major enterprises on Saskatchewan farms and grain and livestock marketing and their problems are major concerns of the Wheat Pool as well. You already know something about our views on the Canadian Wheat Board which we consider the most successful marketing agency in the world. We also support the proposition that marketing boards for other farm commodities offer promise of similar success if properly organized and operated and we give help where we can to assist farmers who want a marketing board for individual commodities.

You already know also that Prairie farmers tend to be free traders and the Wheat Pools in particular are strong exponents of the freest possible trading arrangements among all countries.

In the beginning the Pool was organized as a marketing agency to handle members grain in the world markets. We are still grain merchants but since the advent of the Canadian Wheat Board our grain sales operations have been less important than they were originally. However, this question has received increasing attention in recent years and many inside and outside of our organization have suggested we expand our grain sales activities once more.

7. *The Pool And Its Services For Farmer Members*

We are involved in a number of commercial enterprises and in each of them the Pool is geared to provide service at cost to our farmer members. A comment on each might help you to appreciate our role:

(a) *grain handling:* We handle grain at both the country and terminal positions as agents for the Canadian Wheat Board. At August 1, 1966 we owned and operated 1,212 licensed country elevators in the province with a total storage capacity of 89,275,800 bushels. The Pool is the largest of the 11 licensed country elevator operators in the province and we own and operate 43 per cent of the total number of country elevators and about 44 per cent of total space in the province. In the last crop year we handled about 238 million bushels of grains or 54.67 per cent of total grains handled within the province.

At terminal position at the Lakehead and at Vancouver we operate a number of terminal elevators. At Vancouver we lease and operate a National Harbors Board elevator with licensed capacity of 1,650,000 and at the Lakehead

we own and operate eight separate terminal elevators with total licensed capacity of 36,117,210. Overall we operate about 25 per cent of total terminal elevator capacity in the country. In 1965-66 our terminals in both locations handled 204,076,474 bushels of export grain which accounted for 36.6 per cent of total handlings at the Lakehead and 11.6 per cent of Vancouver port handlings.

We now have under construction at Vancouver a new 5 million bushel terminal on the north shore of Burrard Inlet. This will give a real boost to our ability to handle export grain and we are looking forward to its opening later this year.

All operators of country and terminal elevator facilities in Canada operate as agents for the Canadian Wheat Board in the handling of the grains under Wheat Board jurisdiction. For the other grains we operate as principals, buying outright from farmers and selling to whomever will buy.

(b) *livestock handling:* We own and operate five livestock marketing yards in Saskatchewan (at Moose Jaw, North Battleford, Regina, Swift Current and Yorkton) and operate livestock agencies at three other yards owned by other companies (at Lloydminster, Prince Albert and Saskatoon). We also are members of Canadian Livestock Co-operative (Western) Limited which operates an agency for us and other Prairie co-operatives at the St. Boniface public stockyards and operates a yard at Brandon. Our livestock operations account for 58.5 per cent of all cattle and calves marketed by Saskatchewan farmers and for 23.8 per cent of the hogs and 33.3 per cent of the sheep and lambs. This phase of our operations is growing through the years and is considered an extremely important service to our member farmers.

(c) *processing:* We own and operate a flour mill and a vegetable oil processing plant in Saskatoon. These are each relatively small compared to the total Canadian industry and account for something like five per cent of total Canadian output for each. However, they remain extremely important to our farmers because small as they are they do offer a local outlet for field crops. Our flour mill, for example, handled over two and a quarter million bushels of wheat in the 1965-66 crop year and our vegetable oil plant processed a small quantity of flax as well as more than one million bushels of rapeseed. Aside from their importance to the farmer with grains to sell these processing operations provide us with first-hand information about these industries and allow us to speak from experience when discussing flour and vegetable oil problems with others. Our Directors and Management have taken an active part in each of these industries and have been with a number of Canadian missions overseas.

(d) *publications:* We publish The Western Producer one of Western Canada's leading weekly farm papers. We also operate a job printing plant in Saskatoon under the name of Modern Press which aside from general printing also publishes a number of books of special interest to Western Canadian readers. We believe firmly that this publishing venture is worthwhile and do not judge its success entirely on its financial position. We also maintain at Head Office a publicity department which through the printed word and broadcast both by radio and TV attempt to inform the farmer and the public on questions of farmer concern.

(e) *farm supplies*: We have recently entered the farm service business to provide a greater variety of required services and supplies. This venture has proven extremely worthwhile, even in its short history. In 1965-66, for example, we marketed nearly $8 millions worth of fertilizer, chemicals, twine, seed grain, forage crop seed, alfalfa meal and other products, and our 1965-66 output was nearly double that of the year before. We have under consideration other farm service ventures which our farmers require and which we might be able to provide at cost.

(f) *other co-operative ventures:* In addition to the co-operative ventures we own and operate by ourselves we are members of larger co-operatives which provide a number of other services and supplies for Prairie farmers. Together with the other wheat pools we operate Canadian Pool Agencies Limited and Pool Insurance Company which is a wholly owned insurance company for the insuring of our grain handling plant and the grains in our custody. We are a member of Interprovincial Co-operatives Limited, a national co-operative in the manufacturing, processing and distribution business. It supplies us, for example, with the chemicals and twine we distribute. We are also a partner with Alberta Wheat Pool and Federated Co-operatives Limited in the new Western Co-operative Fertilizers Limited whose Calgary operation is one of the most modern and comprehensive fertilizer manufacturing plants in Canada. It supplies only its three members who distribute the fertilizer to their farmer members. The Pool is also a member of Co-operative Insurance Services, the Regina-based national co-operative which manages both a co-operative life insurance company and a fire and casualty company. And finally, the three Pools wholly own Canadian Co-operative Wheat Producers Limited, which used to be our central selling agency when the Pools were grain marketing principals in the days before the Wheat Board and now remains our principal spokesman in matters of mutual interest.

8. *The Pool and its Employees*

At the end of our last crop year, July 31, 1966, we had 3,170 persons on staff. You may be interested to know that most of our staff belong to one union or another and that many of the unions are affiliated with the Canadian Labor Congress. We are the only grain company whose country elevator agents are represented by a CLC union. Last year more than 50 employees were engaged in advanced studies, many at University level, and more than 150 employees were enrolled in orientation courses administered by our personnel department. Outside of government service the Pool is the largest single employer in the province and we take every available opportunity to help employees improve their skills and training to serve better the farmers who own and operate the Wheat Pool.

9. *Farmers Face three Kinds of Problems*

Farmers tend to be individualistic and most of them prefer to solve their own problems by themselves insofar as they are able. But, many problems cannot be solved by individual farmers on their own farmsteads. Sometimes the problem is simply too large for the individual to handle and sometimes an individual solution for one hinders his neighbor and therefore may not be best

for the industry. Saskatchewan farmers came to this conclusion years ago before they established the Wheat Pool and it was largely because of this that the Pools were organized.

The original objective of the Pool was to market its members' grain. This was one problem farmers found they could solve better collectively than by themselves individually. Through the years the farmers have added other items to the list of problems they believe the Pool can do better co-operatively than they could do for themselves. It is because of this that the Pool now finds itself, 43 years after its establishment, in the livestock business, in the processing of flour and vegetable oils, in the distribution of farm supplies, in the publishing business, in the insurance business and in a variety of other activities.

But aside from individual and co-operative activity there is a vast range of problems which only government can resolve. Sometimes problems are local and resort to local government is sufficient. Sometimes the problem is province-wide and then the provincial government is asked to intervene. Sometimes the problem is national and even international and then the national government and Parliament are asked to intervene. The Pool is a member of the Saskatchewan Federation of Agriculture and through it takes part in the activities of the Canadian Federation of Agriculture and the International Federation of Agricultural Producers. Some problems are pursued through these wider based organizations and some by the Pool directly. We have concluded, Mr. Chairman, that your Committee is interested in our views about a number of important questions. Few of these are new but for some of you who live normally in other parts of Canada a brief review of the questions might prove useful.

10. *The Pool and the Canadian Wheat Board*

Farmers in Western Canada generally support the Wheat Board's operation and while from time to time we question individual decisions by the Board we do not question the desirability of its remaining as Canada's sole marketing agency for Prairie grains. We would in fact have its powers extended to other grains than it now handles.

Since long before establishment of the Wheat Board the Wheat Pools have urged this form of marketing for Prairie grains and we have never faltered in our resolve to support the Canadian Wheat Board. As some of you may know the Wheat Board has a producers' advisory committee. The President of Saskatchewan Wheat Pool is its chairman. As a consequence we have a first-hand opportunity to learn of Wheat Board problems from time to time and to offer assistance in resolving these problems. This experience has only strengthened our support for continuation of the Wheat Board.

Let's consider for a moment our proposal that Wheat Board jurisdiction be extended to allow the Board to handle rye, flax and rapeseed. This position has general support throughout the West and last spring the Pool and other Prairie farm organizations supported the Western Agricultural Conference in its submission to the Federal government to have these Wheat Board powers extended. There have since been additional discussions of this question but the Federal government does not yet seem persuaded to support our proposal. We have with us today a copy of the submission prepared last year on this question and would be prepared to discuss it with you in some detail if you wish.

11. *The Pool and the Board of Grain Commissioners for Canada*

We support generally and so do most Prairie farmers the operation of the Board of Grain Commissioners. It is the Federal authority which regulates grain standards, the licensing of new grains, the licensing of grain handling and processing facilities and generally oversees the Canadian grain industry. As in the case of the Wheat Board we sometimes raise questions concerning the operation of the Board of Grain Commissioners.

The Grain Commissioners now have under review the many regulations it administers to assure itself and the farmers that they are the best possible to meet changing market demands. This means in fact a review of the Canada Grain Act which is the principal federal legislation administered by the Board. The Pool is prepared to help in this review of the regulations and some of our senior staff are members of various committees undertaking the study for the Board. Our concern is that Canada remain aware of the demands of our customers and be ready to make change in regulations and requirements when change seems worthwhile. This kind of study takes time and effort and we would not have any specific suggestions in advance of the study's completion but we suspect conditions may have changed somewhat since the last revision of the Canada Grain Act and support a careful examination of these changes.

12. *The Pool and the Movement of Prairie Grain*

Because grain production and marketing form such a vital concern for most Western Canadian farmers we are persuaded today to make a number of comments which generally affect the movement of grain and are of special concern to the Pool and its members. One of these has to do with the charges allowed grain companies for the handling and storage of farmers' grain. Another has to do with the Canada Labor Standards Code as it affects the grain industry. And a third has to do with labor-management relations generally in Canada.

(i) Under the present law the Board of Grain Commissioners is empowered to establish maximum handling and storage charges which elevator companies may charge farmers in the handling of their grain. While the Board sets only maximum charges the practice has been for grain companies to charge the maximum allowed and throughout the industry there has traditionally been a consistency in actual charges. The pressure to expand our facilities at both the country and terminal ends of the grain movement and to modernize existing plant has forced all grain companies to seek in recent years an increase in the maximum charges allowed. In 1966 the Board of Grain Commissioners was convinced of our arguments and did provide for an increase of one cent in handling charges at both the country and terminal ends of the movement. However, because we and the other companies handle Wheat Board grains (wheat, oats and barley) under an agreement between the companies and the Wheat Board the actual charges prescribed for these grains is subject to negotiation with the Wheat Board no matter what the maximum allowed. And this year we failed to convince the Wheat Board it should provide an increase.

We would not want to encourage a committee of the House of Commons to intervene in a difference of opinion between two Federal government agencies like the Wheat Board and the Board of Grain Commissioners but we thought

you should be aware of this difference and have an opportunity to ask questions about our views of the matter. As already stated we have a new terminal elevator under construction at Vancouver. We also have a heavy construction program in our country elevator division. We consider the question of our income to meet these rising capital costs an important matter. Our concern really is that unless grain companies are given the income means to finance required expansion the grain handling industry will not be able to meet its future requirements and the whole grain moving industry will suffer. The farmer will suffer the most because without improved facilities he will not be able to deliver additional grains and the Wheat Board and others may not be able to meet expanding market demands for our grains.

(ii) The Canada Labor Standards Code has posed difficulties of another kind, especially in its relationship to the operation of country elevators. Our present agreement with country elevator operators provides a monthly salary plus an agreed range of commissions for handling grain in amounts exceeding an agreed minimum. We do not specify how many hours may be worked in any given period but tend over the year to allow agents time off when deliveries are light knowing that they will put in longer than average hours during times of heavy deliveries. The Canada Labor Standards Code would have us fix the maximum work week and provide extension beyond an approved range of overtime only with specific permission of the federal labor department. This would require that someone be responsible for keeping a time record of hours worked by agents. We find supervision of this kind of record keeping extremely difficult in a situation where the only man on the elevator location is the agent himself (most of our elevators are one-man operations) and were he to become his own time-keeper we can foresee cause for dispute whenever the matter of overtime accounting is questioned. Until July 31 the Pool has deferment under regulations provided in the Act but after August 1 we are advised that we will be expected to comply. We and the other elevator companies have tried on a number of occasions to have the country elevator operators exempt from this legislation but so far have not succeeded. Mr. Chairman, your Committee may find in its report to Parliament an opportunity to comment on this question. Any support you can offer for our position will be appreciated. The additional provisions affecting rates of pay are not at issue for us because present rates exceed the suggested minimums.

(iii) As for the larger labor question, we also have a comment. As you know grain movement has been slowed down and at times stopped because of recent work stoppages on the railways, among dock workers and even among terminal elevator employees. Whenever grain stops moving at export position the shut-down soon reflects itself back through the system until eventually the country elevators are filled and the farmer is not able to deliver any more grain. In Canada the farmer does not get paid until his grain has been delivered to a licensed country or mill elevator and when this situation develops a great number of people are affected adversely. Even more important, overseas customers awaiting delivery of our grain tend to lose confidence in Canada's reliability as a supplier and this we cannot afford in an industry as highly competitive as the grain trade.

After careful thought about this kind of question we have been persuaded to advocate establishment of a form of labor-management court to provide compulsory arbitration where agreement cannot be reached in labor-management disputes in industries of special national importance.

13. *The Pool and the International Wheat Agreement*

Saskatchewan Wheat Pool and the other two Pools are among the strongest supporters in Canada of international agreement for the trading of wheat and other farm produce. Representatives of the Pools have attended every international Wheat Conference and we hope to be able to attend conferences of this kind in the future.

As you know the present IWA agreement was signed in 1962 and was due to expire on July 31, 1965. It has been extended, however, on two separate occasions and now remains in force until July 31, 1967. Our view is that no further extensions should be allowed unless the terms of the agreement are negotiated to bring about a substantial increase in the price ranges. The existing IWA agreement has a price range of $1.625 minimum and $2.025 maximum basis No. 1 Northern at the Canadian Lakehead. The fact of the matter is that world wheat supply and demand conditions have so changed since that price range was established that our best wheat commands the maximum price in the agreement and likely could command more if the agreement would allow it.

Discussions now are under way at Geneva in the Kennedy Round of the GATT for establishment of an expanded international cereals agreement. We support this proposition and hope for a successful outcome of these negotiations before the expiry date of the IWA on July 31, 1967. Our President is in Geneva this week as an advisor to the Canadian delegation.

14. *The Pool and International Trade Policy*

Saskatchewan farmers tend to be free traders and are among the last of the free traders in the country. We want access to foreign markets for our produce and we want our customers to have an opportunity to sell their wares in Canada and elsewhere. Our produce trades, as you know, with the Communist countries of eastern Europe and Asia and we want these countries as well to have access to Canadian markets with their wares. This means that we want the Peoples' Republic of China to have access to Canadian markets and would urge also that the China government be recognized.

We have been watching with keen interest the general negotiations under the GATT in the Kennedy Round and support the general principle of tariff reductions for all countries. Before the Canadian government embarked on this series of tariff talks we were asked to present our views on the question of international trade and did so. We have a copy of this statement and would be prepared to discuss it in further detail if any of your members wish.

15. *The Pool and Transportation Policy*

As you know a large portion of our grains, particularly wheat, moves into the export market. As a result we have always been concerned about the quality and price of transportation services both within Canada and between Canada

and our customers. Our views about many transport questions are well established and generally known but you might like us to review briefly three matters of special concern:

(i) On the Crowsnest Pass statutory rates for Prairie grain moving to export position our view is crystal clear. We want them left where they are under the jurisdiction of Parliament. We do not think they are too low or that they result in the railways having to move grain at less than cost. We have on occasion challenged railway arguments about these rates and we intend to challenge future attacks as well. We know very well that if statutory control were removed from these freight rates the railways would increase them, perhaps considerably, not because they needed more money to move the grain but because they believed they could get more money because Prairie grain movement is tied wholly to the railways.

(ii) On the St. Lawrence Seaway toll question our view has been expressed on a number of occasions in submissions to government and to the Seaway Authority. It may be summarized as follows: we believe present tolls are sufficiently high to meet all operating costs of the Seaway and urge strongly against any increases. We suggest the Canadian government move to remove capital refunding requirements from the toll structure and when this is done the tolls may in fact be reduced as traffic increases. As for the Welland Canal, we believe its traffic should have no tolls whatever. Welland tolls now are suspended: we believe they should be removed entirely, leaving the Welland Canal toll free as are all other domestic waterways in North America. We have a copy of our latest submission on this question and would be pleased to discuss it.

(iii) On matters relating to the new transportation legislation to establish the Canadian Transportation Commission we have a considered view which has already been conveyed to a Standing Committee of the House of Commons. While we offered comment on a number of issues contained in the legislation perhaps the question which would interest you most at this time would be our views about branch lines. Our view can be stated as follows: while we do not oppose rationalization of Western branch lines we do not think the best or the only way to accomplish this is simply by abandonment of track and we suggested a number of alternatives. We suggested the subject should be approached on an area basis rather than line by line as has been the case in the past and we also suggested that it is important for all to understand what the criteria for rationalization will be. The 1966 submission presented to the House Standing Committee on Transportation and Communication was made on behalf of the three Wheat Pools. We have a copy of that submission here and would be pleased to discuss it in detail if you wish.

16. *The Pool and A.R.D.A.*

Because your standing committee is concerned also with matters of rural development we offer a brief comment on the Pool and A.R.D.A., the Agricultural and Rural Development Act. During the years since A.R.D.A. was enacted we have given considerable study to the questions it seeks to consider and we have tried on a number of occasions to offer assistance of our organization to get effective programs at the farm level. Since its beginning the A.R.D.A. program has come a long way. It started out to offer a program and federal government

money to assist the provinces in matters of resource allocation. Now it offers a program geared more to the human resource where we think its emphasis should really be. Federal funds are still available to help implement a program geared first to training farmers to do a better job on the farm and second to help those who want to leave farming to retrain and acquire alternative employment.

However, we see very little of that kind of program in operation. The fault may lie in part with the federal program itself although we suspect the program and the idea behind it are good. The fault may lie with provincial governments who must take up the ideas and the funds and make of them operational programs. Some provinces have acted with more vigor than others and we're sorry to say that the local effort in this direction has been less than might be expected. And some fault may lie with organizations like the Pool which might have done more than we have. But we suspect the Pool and the other farmer organizations may be less at fault than the others for the slowness with which A.R.D.A. and its programs have been implemented. After all farmer organizations are not an operational arm of government. We consider our role to be one of suggestion, criticism and encouragement.

At our 1966 annual meeting of delegates the Pool agreed on three specific proposals which should help the A.R.D.A. program. We agreed to seek improved training courses in farm operation, maintenance and management to help the farmer improve his skills; to seek increased financial assistance so that farmers can take these courses if they want to stay on the farm and alternative courses if they want to leave; to seek study of land tenure and land transfer arrangements to determine how best to secure farm land in the hands of Saskatchewan farmers. These proposals went forward to regional and national farm organizational meetings and we suspect will turn up again when the Canadian Federation of Agriculture meets the federal government to present its views about farm policy questions for 1967. When these come to your attention in Ottawa we would hope you do your part as Members of Parliament to encourage serious discussion of the proposals and if accepted by the government that you do whatever you can to have them implemented in effective A.R.D.A. programs across the country. We shall in turn do our part to have them considered locally.

17. *The Pool and Federal Programs to Assist Farmers*

There are a number of federal government programs designed to assist farmers in one manner or another which merit some consideration in the context of this statement. A brief comment on each may be useful to you.

(i) *The temporary wheat reserves act*: this legislation is designed to provide federal assistance in meeting the costs of storing Prairie wheat stocks. It provides government payments to meet the storage costs of all wheat in public storage at July 31 each year in excess of 178 million bushels, a figure said to represent a normal annual carry-over of wheat. Farmers in the West support this program because it recognizes the need for assistance from all the people of Canada in financing the carry-over of wheat stocks. We consider it a worthwhile program which should be continued.

(ii) *Feed freight assistance policy*: The Pool has traditionally supported the federal government's policy of subsidizing the freight costs on feed grains

moving from the Prairies to livestock and poultry feeders in British Columbia and Eastern Canada. We consider this domestic grains market an important one and consider the feed freight assistance program goes a long way towards assuring this market for Prairie grain growers. We are familiar with the proposed federal legislation which would establish an eastern Canada feed grains agency to administer this feed freight assistance policy and other related policies and in general we support this new venture. However, many of us are concerned lest the new agency undertake to become a feed grains buying agency as well as an administrative body and as buying agent enter into direct negotiation with the Canadian Wheat Board which controls the sale of Western grains. We would be less disturbed were the new eastern agency to be financed as is the Wheat Board by the farmers who use it. But we understand the new eastern agency is to be financed by federal funds entirely and in this we see opportunity for a clash between the eastern agency financed by the federal treasury and the Wheat Board financed by Western farmers. It may become an unbalanced clash and we would prefer it not be allowed to happen.

(iii) *Prairie farm assistance act*: Since 1939 the federal government has provided the PFAA program which in the words of the federal government is designed "to provide direct financial assistance to farmers in an area suffering a crop failure." We have seen many crop failures in this part of the country and we appreciate the importance to farmers of this kind of government support. In short we would urge that the PFAA program be continued. Some would argue what the extension of various forms of crop insurance in recent years might suggest there is less need for a program like PFAA but the Pool would not support that conclusion. Crop insurance is desirable where crops are insurable but PFAA makes a form of support available to all who farm whether the risk is insurable or not.

(iv) *Agricultural Stabilization Board*: We have been constant exponents of the federal government's support price program and wish it continued. Anyone who farms knows that growing conditions vary greatly from year to year and that it is sometimes impossible to estimate either the quality or quantity of output. Demand is often unpredictable too. Price stabilization programs tend to remove at least a part of the risk and provide an assured minimum return or cushion. Prairie grain farmers have tried on more than one occasion to assure themselves a similar income cushion but have met no success in our many presentations to government. We shall keep trying and in the meantime would support the stabilization cushion that others enjoy.

(v) *Prairie Farm Rehabilitation Act:* During the years since the great drought of the 1930's PFRA has come to be a real friend of the Prairie farmer and its programs for land reclamation and development have helped to change the face of western farmlands. The PFRA has helped the agricultural industry and individual farmers to improve some lands and to assure better water conservation and use. Its programs for farm dugouts with which individual farmers have been able to catch normal runoff in sufficient quantities to water stock has by itself been nothing less than a boon to the countryside and has contributed greatly to the diversification of agriculture in this part of the country. Both PFRA and the Maritime Marshland Rehabilitation Administration

emphasize irrigation and drainage projects which are sometimes developed with provincial government assistance. The Pool supports retention of this kind of conservation and reclamation program.

In this context we must mention the new Gardiner Dam on the South Saskatchewan River which when completed later this year promises new opportunities for irrigated farming, power and recreational facilities. We think this a very worthwhile project.

(vi) *Farm credit agencies:* The Wheat Pool and our farmer members consider the Farm Credit Act and similar statutes which preceded it, the Veterans' Land Act and now the Farm Machinery Syndicates Credit Act, extremely important pieces of federal legislation. We especially welcome the statutory limitations these place on the lending rate for farm loans and want you to know that farmers generally support retention of these interest rate limitations. This question is an especially sensitive one at this time when proposed amendments to the Bank Act indicate that the statutory limitation on bank interest may be freed and we suspect that there may be pressure to free the assured rate for farm loans as well. Our view is that the secured interest rates for farm loans available under a variety of federal statutes should remain secured as they now are.

18. *The Pool and Farmer Income*

While we have singled out specific federal government policies and programs to discuss in this statement, the over-riding concern of this paper and of the Pool is for improvement in the economic and social welfare of the farmers in Saskatchewan. One measure of economic welfare is, of course, net farm income and this is the question which receives increasing attention at every farmer meeting anywhere in the province. With rising costs of farm inputs (and today an increasing percentage of total farm expenditures are for off-farm inputs) and with stable to declining prices for farm produce many farmers face nothing short of a crisis situation every time they seek to balance their accounts. Some of us call this the cost-price squeeze and that is about what it is. By whatever name, it is a continuing problem and one which deserves constant concern by all of us.

We want to be certain that all of you appreciate the problem of the Saskatchewan farmer, and it is this: His produce is usually sold outside of the province, either at home or abroad, in competition with produce from other places and at prices over which the producing farmer has little control. With only minor exceptions, the farmer produces without any government subsidy or assistance in direct cash payments. The result is that the Saskatchewan farmer is relatively unprotected from the vagaries of the market place. He has tried to help himself by individual action and by joining co-operatives which seek to act on his behalf. He sometimes asks for specific governmental consideration. Agriculture in Saskatchewan remains our main industry in terms of employed labor and value of output and it remains substantially unprotected.

19. *The Pool and the Taxation of Co-operatives*

In this statement we have attempted to outline for you the relationship of the Wheat Pool to individual farmers and to review briefly some of the public policies which both the farmer and the Pool support and advocate. There

remains now one further comment which relates to farmers and their co-operatives like the Pool.

Soon the Carter Royal Commission on Taxation will report to Parliament on Canada's taxation problems. One of the questions under consideration was the question of whether co-operatives and their members bear their share of the tax burden. The commission will likely have something to say on the subject.

We're not going to labour our views on this matter except to say that most of the allegations made before the commission and on public platforms by the critics of co-operatives about the relationship of the tax laws of Canada to Co-operatives are simply insupportable and untrue. The Wheat Pools prepared a detailed submission to the Carter Commission. Our main recommendations were as follows:

(i) We support retention of the present provisions of Section 75(1) of the Income Tax Act which allows the deduction from taxable income of co-operatives of payments made to customers on the basis of their patronage during the year.

(ii) We urge complete repeal of Sections 75(2) and (3) of the Income Tax Act which limit the distribution of patronage refunds.

(iii) We urge clarification of definitions in the Income Tax Act particularly those to define what is taxable income and who is the taxpayer.

(iv) We urge retention in the Income Tax Act of the five-year averaging provisions for farmers and fishermen and urge that government attempt to publish more widely its availability and explain its operation.

(v) We urge retention of the gift tax provisions of the Income Tax Act and recommend that government undertake to publicize more widely its availability and to explain its inter-relationship with Succession Duties.

(vi) We urge amendment to Estates Tax and Succession Duties legislation to avoid as far as possible the disruption of family enterprise in its administration.

(vii) We recommended that no attempt be made to tax capital gains as such.

One other question concerning co-operatives merits special mention. For some years the Pool and the other co-operatives have tried on various occasions to acquire a National Co-operative Act but this question has not yet been settled in Parliament. While national co-operative enterprises have found alternative legislation under which to organize there remains a desire to have national legislation relating specifically to co-operative organization. Your support for this proposition would be appreciated by farmers throughout the West.

20. *A Concluding Comment*

We have attempted in this statement to tell you something about Saskatchewan Wheat Pool and its role among farmers in Saskatchewan. We have also discussed the position of the Pool and its farmer members about a number of

public questions. From time to time during the statement we have mentioned that farmers have attempted during the years to improve their position by taking individual and co-operative action and that on occasion have resorted to help from governments. It is fair now to say something about the farmers themselves and perhaps by way of conclusion to have a word about the importance of agriculture in this part of Canada.

About 39 per cent of the province's total labor force is engaged in agriculture and their output represents about 43 per cent of the gross value of commodity production. While agriculture's commodity output is increasing in absolute terms and still remains our most important industry the value of its output is declining relative to some other industries because the others are also increasing. In 1965, for example, agriculture contributed and estimated $790 millions to the provincial economy while mining accounted for $270 millions, manufacturing for $150 millions and construction for $295 millions.

A figure or two might help to give you some further idea about the importance of agriculture to the provincial—and even the national—economy, the most recent figures available are those for calendar 1964 but even these are impressive. In that year Saskatchewan farmers had operating expenditures totalling $322 millions of which they spent $111 millions for farm machinery and repair parts; machinery expenses included $61 millions to operate tractors, $33 millions on trucks and their operation and $26 millions for the repair and operation of other farm machinery. They also spent $19 millions to pay interest on their various debts, $18 millions for lumber and hardware.

Changing technology and the shortage of labor have brought many changes in farming operation. An example or two from grain farming will suffice. Ten years ago a tractor with pulling power of 30 horsepower was considered a reasonable size and statistical tables did not even record tractors of more than 40 horsepower. In 1965, half the tractors sold in Saskatchewan were in the classification of 80 horsepower or more. A tractor of this size would cost something like $8,500. Increased size is evident in the machinery used to seed, cultivate, and harvest under today's conditions. And larger machinery is expensive. It is not uncommon, for example, for one of the larger combines to represent an investment of $12,000 or more.

Mechanization has made it possible and economics has made it necessary for individual farmers to operate an increasing number of acres. Some grain farmers now manage from 1,000 to 1,200 acres with little or no hired help beyond their family members. The average farm size for the province was estimated at 685 acres by the 1961 census. The use of herbicides, fertilizers and improved cultural techniques has made it possible to increase significantly yields per acre as well.

The continuing pressures to expand acreage and other capital goods used in the farming operation together with ever increasing operating costs help to explain the Western farmer's repeated call for increased sales volume and higher prices for his produce. Higher income opportunity is a very worthy incentive to bring about this improvement in the industry without reductions in living standards which for many are too low to begin with.

In recent months a number of farm organizations have come to the conclusion that increasing effort must be made to identify anew the real problems

which beset the farm and farmers, and, in at least some instances, to seek new policies and programs. In October 1966 the Ontario provincial department of agriculture arranged a province-wide conference to focus attention on what the Ontario agriculture minister said was the need for courses of action "to ensure our efficient farmers a reasonable standard of living and an adequate return on investment and to ensure to the Canadian consumer and many others in the world top quality agricultural products."

This kind of approach was considered by the Saskatchewan Federation of Agriculture at its annual meeting in Regina in December 1966 and it was agreed to propose that the three Prairie provinces be asked to convene a similar conference to investigate production and marketing questions, farm income, rural adjustment and development, land tenure and transfer, transportation, domestic and international trade. The Western Agricultural Conference which met subsequently in Winnipeg accepted the proposal from Saskatchewan and agreed to convene a conference itself if the provincial governments did not undertake to do so. Now the matter has been considered on a national basis at the Canadian Federation of Agriculture meeting in Winnipeg two weeks ago and that meeting agreed to call on the federal government to convene a national conference on farm policy and invite representatives of all 10 provinces and others to take part in it.

We are keenly interested in this proposal, Mr. Chairman, and would commend it to the members of your committee as a worthwhile subject to include in your report to Parliament. It has become increasingly important that the country as a whole appreciate the problems of agriculture and that solutions advanced take into account not only provincial and regional requirements but also those of the entire country.

Sometimes individual farmers cannot solve their own problems by themselves. An increasing number of farmers ask co-operatives like the Pool to help them with on-farm problems and they ask the Pool to seek solutions for the off-farm problems as well. This is the reason we have welcomed the visit to Regina of this Standing Committee of the House of Commons. We welcome the opportunity to tell you something about our problems and to bring to your attention the range of solutions we think will best serve our farmer members and the industry of agriculture.

All of which is respectfully submitted by
SASKATCHEWAN WHEAT POOL
Head Office: Regina

February 8, 1967.

APPENDIX II

PRAIRIE FARMERS, TARIFFS AND TRADE

A memorandum prepared by Saskatchewan Wheat Pool for presentation to the Canadian Tariffs and Trade Committee in connection with the 1964 negotiations.

1. This memorandum is presented by Saskatchewan Wheat Pool to make known the views of our member farmers on questions relating to the 1964 negotiations under the General Agreement on Tariffs and Trade and is addressed to the secretary of the Canadian Tariffs and Trade Committee. Copies have been sent to the Prime Minister and the ministers of trade and commerce, agriculture and forestry and rehabilitation. It deals first with our general position on tariffs and trade questions and second with specific comments we have about trade questions relating to the commodities our farmer members produce and the Wheat Pool handles.

2. Saskatchewan Wheat Pool is a farmer-owned co-operative and is Canada's largest single grain handling organization. Our country elevator system handles something over half of Saskatchewan's total crop: in the 1962-63 crop year our facilities handled more than 202 million bushels of grains from a total provincial crop of 383 million bushels. Our terminal facilities handle about one-third of all grain shipped through the Lakehead port and something over 10 per cent of total grain shipments through the port of Vancouver. We also operate a flour mill and a vegetable oil plant, the products of which are marketed both domesticaly and for export, and we handle an appreciable percentage of the province's livestock marketings through the eight markets and agencies we operate. Our active membership numbers about 75,000 farmers.

3. Our traditional attitude to trade and tariffs can best be illustrated by citing an excerpt from the policy section of our most recent annual report in which our directors said:

> "The Pool has always supported the freest possible trading relations among all countries. Your directors have urged elimination of both Canadian tariff barriers to foreign produce as well as foreign restrictions to the movement of Canadian produce. This past year has highlighted the importance of this principle for Canada whose trading position in the world is far greater than her population or industrial strenth would indicate. Time and again grain customers have held out for increased opportunities to market their goods in Canada before agreeing to buy. Your directors continue to support any move to improve trading opportunities between Canada and other countries."

It is because of the position illustrated in the above quotation from the 1963 annual report of Saskatchewan Wheat Pool that we take this opportunity to express our views on trade and tariff questions even though what we have to say may not advance anything you do not already know about us nor offer any specific proposals of direct assistance to the forthcoming GATT discussions.

4. We have views about a number of questions which will likely come under your purview during the GATT deliberations and it has occurred to us that you might welcome a brief restatement of our thinking on each. Consequently the following paragraphs will consider:

(i) trade groupings in western Europe;
(ii) The new market of Asia and the Far East;
(iii) the underdeveloped economies and market promotion;
(iv) the International Wheat Agreement;
(v) trade and the Canadian economy; and
(vi) specific comments on trade questions affecting western farmers.

5. *On Trade Groupings in Western Europe*

Our member farmers have watched with keen interest formation of the European Economic Community among the Benelux countries, France, Italy and West Germany and have followed developments among the six and between them and others who seek to join. Some of these countries have traditionally been major markets for our agricultural exports and we have been disturbed at steps taken to keep our produce out of Europe. We have watched with no less interest developments among the seven (Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom) to forge a somewhat looser commercial community under the title of European Free Trade Association. We hold that as producers of quality products we stand in the long run to gain from the increased purchasing strength of economically strong partnerships abroad.

6. In February 1963 L. A. Boileau, our first vice-president, discussed some questions related to these European trade groupings and Canadian agriculture at a Public Affairs Winter Institute in Regina and concluded that despite the general concern there are some factors which remain favorable. He said:

> "First, it would seem that a thriving industrial economy in Europe would offer more opportunity for imports of raw materials and food products than would a stagnant or semi-stagnant economy. Second, while in the short run there is likely to be pressure for maintenance of high domestic prices as a way of supporting individual farmers' income, in the long run this pressure is likely to be reduced. The reason for this prediction is that high levels of industrial employment and incomes tend to affect agriculture in two ways: (1) There is movement of people off farms with the result that farmers who remain can enlarge their holdings, mechanize and take other measures to increase their individual incomes. (2) There is also an increased demand for higher quality products, more meat, dairy products, etc., most of which would be supplied within Europe. While this would mean a decrease in per capita consumption of bread it is possible that consumers and the operators of automated bakeries will demand a higher quality product which will require a greater percentage of hard wheats from countries like Canada. European demand for oilseeds will expand with the result that our trade prospects in these crops should be good...

"When we consider that the vast bulk of our export trade with the Community is in agricultural and other primary products and relatively little in manufactured goods, it would seem advantageous to Canada to approach the EEC in a positive manner, attempting to get the best possible trade concessions on a two-way basis. While this might create some painful short-term adjustments in some Canadian industries, it would seem that the economy as a whole can only stand to gain from a general lowering of artificial barriers to trade. We are not, however, on very good ground if we advocate economic realism for European agriculture and industry without being prepared to accept the same principles for the Canadian economy."

7. *On The New Markets of Asia and the Far East*

Our position on expansion of Canadian grain sales through Weat Board and Canadian government activity was clearly stated in the policy statement prepared for our 1963 annual meeting of delegates. It said:

"Pool membership and delegates have always been the strongest of supporters for The Canadian Wheat Board and its orderly system of marketing wheat, oats and barley. Performance of The Canadian Wheat Board in the past year in finding markets for the huge grain stocks have only served to consolidate the support of the majority of farmers...Your board wishes to record its appreciation of aggressive sales policies which have been embarked upon with full concurrance of the Canadian governments, particularly with respect to sales on credit. The Saskatchewan Wheat Pool again urges the Canadian Wheat Board and the Canadian government to continue to seek further expansion of grain sales through credit arrangements and concessional sales."

8. Expansion of Canadian grain sales into Asia has been particularly marked in the years since the Second World War as these countries came, through dietary changes and income improvement, to switch demand from rice to wheat. The United States cultivated the Japanese market in which Canadian wheat now enjoys heavy sales. On Mainland China the Canadians took the initiative, partly because they were able to offer grain for acceptable credit terms. Both the Japanese and Chinese seek to improve their trade to Canada and it is our hope that the Canadian government will continue to seek a widening of the opportunity our markets afford these Asiatic grain customers.

9. *On Underdeveloped Economies and Market Promotion*

We have supported the Canadian government's concern for the underdeveloped and undernourished nations of the world. Although Canada's participation in aid programs (under the Colombo Plan, the United Nations Relief Work Administration, and food stockpiles for the North Atlantic Treaty Organization) have been met in large part in terms of cereal grains our farmers do not look on these as surplus disposal programs. Aside from helping those who need help, these aid programs also promote the utilization of Canadian grains in countries not our traditional customers.

10. *On The International Wheat Agreement*

In November 1949 at our annual meeting immediately following the signing of the first in the present series of International Wheat Agreements, our directors reported as follows:

> "Your Board is satisfied that there is ample evidence to show a growing desire in all parts of the world that the objectives of the Food and Agricultural Organization of the United Nations should be realized. It will be recalled that these are (1) to organize and develop the production and distribution of food so as to raise the diet of the world's people to a better health standard and (2) to stabilize prices of agricultural products at levels fair to producer and consumer alike. There is a growing volume of opinion that these objectives can be obtained by completion of commodity agreements, of which the International Wheat Agreement is the first."

11. We have been represented at each of the international meetings to negotiate an IWA contract. Our president is a member of the advisory committee to The Canadian Wheat Board and accompanies the Canadian delegation to the world meetings. Our Secretary usually attends as an observer as well. In the years since the first agreement was negotiated our position has remained unchanged and was reiterated in November 1963 in the policy statement prepared by directors for our annual delegate meeting. It said:

> "There has never been any doubt about the position of Pool members on the question of the International Wheat Agreement. While the present agreement runs until mid-1965 negotiations for its renewal may be open some time in the coming year. Because of this possibility your directors want to place on record their firm support for renewal of the I.W.A. on much the same terms as the present one, that is, with commitments by the buyers to take a given percentage of their total imports rather than a fixed amount of wheat and commitments by the sellers to supply wheat within the price range established. If world demand remains strong the maximum price may rise above the present $2.02½ basis the Canadian Lakehead and your directors would certainly support a price rise. However, your board would urge support for keeping the maximum price at a level which would not stimulate non-economic producing countries to subsidize their domestic output."

On Trade and the Canadian Economy

12. While we have tried on every occasion to inform our membership and others of the importance of trade to the Canadian economy we find that the actual experience of the current year has done more than words could to make this point to people across the country. We made this point in our 1963 policy statement which said:

> "Unprecedented prospects for high wheat exports demonstrate the contribution agricultural prosperity makes to the total economy. Injection during the year of the purchasing power of the $500 million resulting to the economy from the Russian wheat and flour deal alone, produces almost incalculable stimulus to the country's transportation facilities,

financial institutions, retail and wholesale distribution of consumers' goods, manufacturers, down to the basic producers of steel and power. Prairie farmers are not only delighted at this prospect for themselves but also because they know this kind of stimulus will help to decrease industrial unemployment and will contribute to the rate of growth of the economy as a whole."

13. We have read with interest the text of an address made by Canada's minister of trade and commerce, the Hon. Mitchell Sharp, to the 68th annual convention of the National Association of (United States) Grain and Feed Dealers in Washington, D.C., on March 5, 1964. Some of his remarks merit repetition here if only to underscore our agreement with what the minister says is the reason for Canada's vital interest in the forthcoming trade and tariff negotiations. Mr. Sharp said:

"One of the principal objectives of Canadian policy is to work towards an improved international trading environment. As an efficient producer and unsubsidized exporter of cereals, Canada is seeking to bring about a trading environment in which we can compete on fair and equitable commercial terms against production in importing countries and exports from other supplying countries.

"The central problem facing the agricultural exporters, and this is especially true of cereals, is agricultural protectionism. It is also a very complex problem. It is perhaps the most difficult problem in world trade. High price supports have provided artificial incentives for uneconomic production and the subsequent accumulation of surpluses. They have brought in their train a multiplicity of import restrictions and export subsidy devices.

"Those of us who have over the years supplied the needs of the countries of Western Europe, are concerned, for example, lest the process of protection and restriction be further advanced and refined with the establishment of the European Common Market. Because of the central importance of wheat and coarse grains, the regulations on cereals have been set up as a model. Their simplicity and symmetrical elegance reveal all too clearly their purpose. A variable levy is imposed to bring the price of imported grain at or above the level of the domestic support price; the levy is in turn converted into an export subsidy in order to effect export sales.

"We pride ourselves on producing the best quality wheat in the world. Fortunately, it is also largely complimentary to the soft wheats grown in Europe. Traditionally, European millers have required hard high protein wheats from Canada and the United States to produce the kind of flour and bread which the consumer has been accustomed to. We hope they will continue to do so, but it is cold comfort indeed if the price of our wheats should be raised by the import levy so high as to offset the quality premiums which they now command over domestic wheat. Unless exporting countries maintain and improve their terms of access to Community markets, they could be caught in the long-term by the logic of the EEC

cereals policy. We could eventually be reduced to the position of residual suppliers and of competing against EEC subsidized exports in world markets."

14. Mr. Sharp discusses a disturbing problem and his words on it are repeated here to indicate to you that we appreciate the nature of the problem and look to your efforts to work towards its solution. Mr. Sharp concluded his comments by saying—and in this he has our fullhearted support—that he hopes "the great experiment of the Common Market...will develop into an outward looking and expanding economy with liberal trading policies." We look also towards the liberalizing of trade between Canada and all countries.

Specific Comments on Questions of Trade and Tariffs

15. In addition to the foregoing general comments we want also to say something about trade in the commodities in which our member farmers have the greatest direct interest. These include the cereal grains, oilseeds, flour, livestock and meat products. In some of these commodities the western farmer enjoys a form of agricultural protectionism which may seem to furnish him with an unusual vantage point from which to make argument for the elimination of trade barriers and restrictions. Our specific comments are related to this point.

16. Protection is afforded both for the cereal grains and for live and dressed animals and mainly benefit the livestock industry. The movement of wheat, oats and barley into Canada is restricted by The Canadian Wheat Board which can and often does prohibit import of these grains. The movement of both livestock and meat products into and out of Canada is subject to both levies and quotas. What we are saying in this memorandum is that despite these forms of agricultural protectionism our member farmers advocate a lessening of trade barriers and restrictions between Canada and all countries and are in fact prepared to advocate reduction of these forms of Canadian protection in the course of acquiring a further freeing of world trading opportunities for Canada. In the meantime we are gratified to know that present limitations on the movement of both livestock and dressed animals is slight between Canada and the United States and does not thwart the effective interplay of both demand and supply in the continental meat market.

17. The question of flour is somewhat different. Saskatchewan Wheat Pool manufactures flour at its Saskatoon mill and sells a portion of this output in the export market in competition with the flour of other countries manufactured in many cases under subsidized conditions of one kind and another. We do not like this situation and would support every effort undertaken by Canada to eliminate subsidized flour from international trade. The greatest offender is the United States, although countries of the European Economic Community have a common agricultural policy which also restricts the movement of flour.

18. We also manufacture vegetable oils and mealcake from rape and flax crops grown in Saskatchewan and market their products domestically and in foreign trade. There have been times when we have been under pressure to seek protection for this manufacturing industry but have resisted the temptation. The pressure has come from the fact that our rapeseed oils cannot always meet the

stiff competition from Ontario-produced soybeen oil, particularly at times when United States soybeans are available to Ontario mills in such quantities as to reduce the price of both the imported beans and Ontario-produced beans below western Canadian rapeseed. This situation does not arise alone from the United States exports but from other countries as well. Protection for Canadian oilseeds would benefit both the eastern producers of soybeans and western rapeseed producers and processors. It is our considered view, however, that the grain industry would be better off in total if it can continue to produce outside of direct protection.

19. The purpose of this memorandum is to draw to your attention while you are preparing to meet the 1964 GATT negotiations the considered view of our members farmers about questions of tariffs and trade. Many of our views are traditionally known and will be familiar to your committee members. However, even though this memorandum may contribute nothing to your preparation for the negotiations we believe the expression of our support may be appreciated at this time. As we said at the outset, the Pool has always supported the freest possible trading relations among all countries.

20. This memorandum does not in our view require to be spoken to. However, if you find we can contribute further to your deliberations do not hesitate to call on us. We are attaching a copy of the full text of the policy statement approved by our 1963 annual meeting of delegates.

All of which is respectfuly submitted,
SASKATCHEWAN WHEAT POOL
Head Office, REGINA.

Copies to:
Canadian Committee on Tariffs and Trade 9.
Prime Minister's Office 3.
Hon. Mr. Mitchell Sharp 1.
Hon. Mr. Harry Hays 1.
Hon. Mr. Maurice Sauve 1.

April 6, 1964.

APPENDIX III

MEMORANDUM ON QUESTIONS OF GRAIN MARKETING

Raised by

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

Representing the Wheat Pools of Alberta

Manitoba and Saskatchewan.

The members of Canadian Co-operative Wheat Producers Limited, which are the three Wheat Pools, have had under consideration for some months a number of questions having to do with Canadian grain marketing. This memorandum concerns those questions and was made available on May 19, 1966 to Members of the Canadian grain trade called to a meeting in Winnipeg by the Board of Grain Commissioners for Canada.

Canadian Co-operative Wheat Producers Limited is spokesman for its members which are Alberta Wheat Pool, Manitoba Pool Elevators and Saskatchewan Wheat Pool. Together these three Pools represent some 160,000 grain producers in the three Prairie provinces. The three Pools maintain country elevators in each of the three Prairie provinces, terminal elevators at both the Canadian Lakehead and at Vancouver, and offices in Winnipeg for the purchase and sale of grains as agents for the Canadian Wheat Board. The Pools handle a significant percentage of total Canadian grains for the majority of Canadian grain producers.

While the meeting called by the Board of Grain Commissioners for Canada in Winnipeg on May 19, 1966 was said to be concerned mainly with questions relating to the grading and handling of grains, this memorandum attempts to extend the scope of the meeting to wider questions having to do with grain marketing. In presenting these questions for discussion, the Wheat Pools do not take a position of any of the issues raised but raise them as a basis for discussion.

The three Wheat Pools do recognize the important grain marketing functions performed by various departments of the federal government, The Canadian Wheat Board and other agencies and commend each for their contribution to the increase in Canadian grain marketings. However, the Wheat Pools believe that Canadian grain marketing policies and practices require frequent review to assure they continue to be the best possible policies and practices. The Wheat Pools also believe that alternative policies and practices ought to be considered from time to time to assure that Canada remains a leader among world countries trading in grains.

The following questions are introduced in this memorandum because the three Wheat Pools believe they are questions of major importance to Canada's grain industry and should be given serious consideration by a wide representation of the Canadian grain trade. It would be hoped that any committee estab-

lished for future study of questions raised at this Winnipeg meeting would have included in its terms the questions contained in this memorandum.

1. *How adequate is Canada's grading system to meet the needs of foreign customers?*

Individual grain cargoes leaving Canada (particularly those from the West Coast) vary considerably in bushel weight, moisture content and proteins. Some United States exporters are offering cargoes or even mill mixes with specific guaranteed performance characteristics. Should Canada be considering some changes of this sort? What about changing to the metric system of weights?

2. *What can be done to expand the commercial market for Canadian wheat?*

Are there any marketing techniques which would help the Canadian Wheat Board, the Department of Trade and Commerce and the grain trade to sell more Canadian wheat?

3. *Can exporting arrangements for Canadian wheat be improved?*

It has been suggested that international export firms place no particular priority on Canadian wheat over that from any other country. Similarly, importing firms in the countries of destination seldom give special attention to the origin of grain being handled. In this connection could importing firms be given some added incentive (possibly a shared program of advertising promotion) which would increase the use of Canadian wheat? Should Canadian grain producers consider entering the export business as a joint venture?

4. *How adequate is the present activity in market promotion?*

Canadian trade commissioners have useful local contacts but are responsible for promotion of a vast range of Canadian products. Can there be an adequate job for Canadian grains without a more specialized knowledge than they now have? Is the Canadian Wheat Board's technical services and market research staff large enough to do an effective job? In what other ways can Canadian grain be promoted in foreign markets?

5. *Should Canadian farmers and their organizations follow the lead taken by American farmers in setting up promotional programs of their own?*

Should steps be taken to encourage an increase in trade missions from Canada to existing potential markets (such as the oilseeds missions to Japan and Europe)? Should producers have milling specialists able to travel and advise mill operators on the special techniques required to make the best use of Canadian wheat? Saskatchewan Pool's flour mill manager has done a limited amount of this with favourable results.

6. *What effect will increased automation in the milling and baking industry around the world have on demand for Canadian wheat?*

Will split-second control make it possible for bakers to utilize flour with less strength and therefore reduce the relative advantage of Canada's strong wheat? When is this likely to become an important factor?

7. *Could Canada promote useful relationships with management and owners of new flour mills being built in developing countries?*

If management of a new mill could be induced to commence operations with a shipment of Canadian wheat a continuous market might be created with less effort than that required to persuade management to change to Canadian wheat after adjusting its operations first to wheat from another origin. Would some concessional terms be justified to establish this sort of arrangement, even to the extent of providing a gift shipment for trial purposes? A limited program in which students of milling techniques are brought to Canada for several weeks or months of study has been carried out by the Wheat Board, by the Board of Grain Commissioners and by the Central Board of the three Wheat Pools. Should this program be expanded?

8. *Can the government do more to assist flour exports?*

Millers find great difficulty in competing on world markets against subsidized U.S. millers. Would Canada consider reinstating the flour mill export subsidy by taking funds from the federal treasury rather than from the Canadian Wheat Board? Is government support necessary to retain a milling industry in Canada?

9. *Can food be used to a greater extent as development capital?*

In some countries food has been used as part of the wages of workers engaged in capital works projects. While such projects must be carfully examined for their effect on the domestic agriculture of the recipient country, it would seem that there are many areas of the world where such programs could be a genuine assistance to economic development. Can wheat and other Canadian food products be used to a greater degree under Canada's foreign aid programs?

10. *Could international organizations be persuaded to use larger quantities of wheat in aid for underdeveloped and developing countries?*

Wheat has a marked nutritional advantage over rice in terms of protein content and some of the essential minerals. Would organizations such as FAO, WHO, UNRWA and others be prepared to assist with suitable educational activities?

11. *Is there a market for non-bread wheat as human food in developing countries?*

In many parts of the world bread as such is unknown but rice and other cereal (either boiled or fried) form a significant part of the diet. Could some wheat product in a form that could be prepared in a cooking pot or a frying pan with little fuel be introduced in these countries? Could a useful market survey be undertaken to ascertain whether a non-bread cereal would be marketable to Canada's advantage? Could there be a useful dialogue between plant breeders and marketing officials so the grain produced would best fit the requirements of buyers? Is there an entirely new crop such as the wheat-rye cross developed at the University of Manitoba, which could usefully fit the requirements of a feed and a non-bread human food crop?

12. *Is there a market for wheat as livestock feed?*

Plant breeders have developed strains of wheat with yield potential 40-60 per cent above our present licensed varieties. These strains are not acceptable for licensing under present Canadian policy because of low milling and baking quality. But if they could be easily segregated could they be licensed as feed wheat?

13. *What can be done to improve the prospects for export of feed grains in Canada?*

Some of the more highly developed countries, particularly those in the European Economic Community, anticipate difficulty in supplying enough feed grains for their projected increase in livestock populations. Substantial quantities of corn, millets, sorghums, soybeans and barley have been moving to Europe from United States. Are there ways in which Canada can share in this increased market?

14. *Are there other uses for wheat which can be usefully explored?*

Federal government researchers have developed processing techniques for potatoes, fish and other products in order to broaden their potential markets. In the United States, considerable work has been done to develop wheat food products such as bulgur, redi-wheat, Nebraskits, and a wide range of non-food or industrial products utilizing wheat. Could some additional work be done in Canada to investigate alternative food or non-food uses for wheat?

Canadian Co-Operative Wheat Producers Limited
Representing:
Alberta Wheat Pool
Manitoba Pool Elevators
Saskatchewan Wheat Pool

Regina
May 18, 1966.

APPENDIX IV

MEMORANDUM TO THE GOVERNMENT OF CANADA CONCERNING THE EXTENSION OF CANADIAN WHEAT BOARD JURISDICTION TO THE MARKETING OF RYE, FLAX and RAPESEED.

by

WESTERN AGRICULTURAL CONFERENCE

of

THE CANADIAN FEDERATION OF AGRICULTURE

In Ottawa, May 20, 1966.

Memorandum To The Government of Canada Concerning the Extension of Canadian Wheat Board Jurisdiction To the Marketing of Rye, Flax and Rapeseed Crops.

1. *Introduction*

This memorandum was prepared by the farm organizations which comprise the Western Agricultural Conference of the Canadian Federation of Agriculture to support their proposal that Canadian Wheat Board jurisdiction be extended to the marketing of rye, flax and rapeseed.

The Western Agricultural Conference is a kind of federation whose members are themselves farm organizations, including the Alberta Federation of Agriculture, the Manitoba Farm Bureau and the Saskatchewan Federation of Agriculture. The members of these are in turn provincial farm organizations. The Wheat Pools of Alberta, Manitoba and Saskatchewan are each members of their respective provincial federations. United Grain Growers Limited, a Prairie-wide organization, is a direct member of the Western Conference.

This proposal has been advanced by farm organizations on many previous occasions. The most recent resolution which originated among the member organizations of the Western Agricultural Conference and was given approval at the annual meeting of the Canadian Federation of Agriculture in Toronto in January 1966 read as follows:

> "WHEREAS farmers and farm organizations have for many years been in favor of flax, rye and rapeseed being included under the jurisdiction of the Canadian Wheat Board yet no action has been taken by the government;
>
> THEREFORE BE IT RESOLVED:
>
> (1) That the federal government be requested to add flax, rye and rapeseed to the Canadian Wheat Board's jurisdiction by necessary legislation;
>
> (2) That a plebiscite of producers of these commodities be held; and

(3) That the Western Agricultural Conference convene a conference of all interested groups to achieve joint action.

This memorandum discusses the proposal from the following points:

(i) The production and marketing of rye, flax and rapeseed.
(ii) The development of present Wheat Board jurisdiction.
(iii) Arguments in support of the proposal to extend the jurisdiction.
(iv) Suggestions about determining Western Canadian support for the proposal.
(v) Summary of conclusions and recommendations.

2. *The Production and Marketing of Rye, Flax and Rapeseed*

Rapeseed is grown exclusively in the three Prairie Provinces, the area in which the Wheat Board has jurisdiction for marketing, and by far the largest percentage of Canadian rye and flax also are grown by Prairie producers who already come under Wheat Board jurisdiction for some of their crops. The table in Appendix A indicates acreage and production for these three crops in 1955 and in the last three years and the data show that each of these crops is becoming more important to grain producers who seek alternatives to their traditional wheat.

A significant portion of each of these grains is exported either as seed or in a processed form. The following data indicates the extent to which Canadian production in the last three years has been exported:

		Export (2)		
		('000 bushels and bushel equivalent)		
	Production (1)	As Seed	As Oil	Total
	('000 bushels)	(bus.)	(bus. equivalent)	
Rye				
1962–63	12,848	7,310	—	7,310
1963–64	12,220	5,501	—	5,501
1964–65	16,695	4,857	—	4,857
Flax				
1962–63	21,136	12,566	429	12,995
1963–64	18,855	13,638	594	14,232
1964–65	27,954	14,346	1,335	—
Rapeseed				
1962–63	8,860	5,802	15	5,817
1963–64	11,064	5,211	22	5,233
1964–65	22,800	9,235	—	9,235

Source: (1) D.B.S.
(2) Board of Grain Commissioners for Canada (*Canadian Grain Exports*) Selected Years.

All three crops now are traded on the Winnipeg Grain Exchange. Individual producers deliver their grains to country elevators, when delivery quotas are available, and take in teturn the available street price of that day. The country

elevator operators in their turn offer the grain for sale at negotiated prices and move it to export position or domestic location when shipping orders and boxcars become available for shipment.

The price paid to the producer for these grains is arrived at in the following manner:

(i) For each of rye, flax and rapeseed there is a *spot price* quotation on the Winnipeg Grain Exchange. This the price each grain will command in spot position at export terminals. The spot for rye and flax is quoted for Lakedhead positions and for repeseed at Vancouver.

(ii) Each day the Spreads Committee of the Winnipeg Grain Exchange determines the *street price* on the basis of the quoted spot prices, hedged options, and the supply and demand of these grains in export location. This street price is broadcast daily and is the price applicable at country elevators for grain purchased from producers.

Street prices for the period January 1, 1966 to April 20 are shown in Appendix B and indicate the following variations;

	High for Period	Low for Period	Variation
For 2CW Rye	1.32 on Jan. 14	1.07½ on Apr. 5	25 cents
For 1CW Flax	2.91 on Jan. 26	2.73 on Apr. 20	18 cents
For 1CRS Rapeseed	2.60¾ on Feb. 4	2.36¾ on Jan. 4	24 cents

The cost of handling these grains from the time of purchase from the producer to delivery to export position amounts to about 20 cents a bushel and includes the elevation tariff, commission, cleaning, weighing and inspection, rail shrinkage, invisible loss, freight on dockage. Country elevator agents who have purchased the grains from producers at the street prices hedge the purchase on the Exchange and then sell the grains at export location for a price negotiated with the purchaser, attempting to achieve a premium above the purchase price and cost of handling.

Spot prices for the same period are shown in Appendix C. It will be seen that these vary more than do the street prices. The variation for the period under review was as follows:

	High for Period	Low for Period	Variation
For 2CW Rye (Lakehead)	1.39½ on Feb. 14	1.27½ on Apr. 5	12 cents
For 1CW Flax (Lakehead)	3.08½ on Jan. 26	2.89⅞ on Jan. 10	18⅝ cents
For 1CRS Rapeseed (Vancouver)	3.62½ on Jan. 28	2.60 on Mar. 22	$1.02½

3. *Development of the Present Wheat Board Jurisdiction*

The Canadian Wheat Board was established by act of Parliament in 1935 with power to "undertake the marketing of wheat in interprovincial and export trade" offered to the Board by producers in the designated area in the three

Prairie provinces and portions of British Columbia. Since then its powers have been extended in a number of ways to accommodate the wishes of Parliament, the market and the producers.

Interestingly enough, at least one of its original powers was removed from the legislation. The original act allowed the governor-in-council to approve the provisions of the act for oats, barley, rye and flax produced in the designated area "if the Board recommends that such approval be given". This power was removed from the act in 1939 for reasons which appear to relate to the Supreme Court of Canada decision to reject as ultra vires of Parliament the federal Natural Products Marketing Act. In 1947 when the Wheat Board Act was amended to allow extension of the Board's powers to the marketing of oats and barley the amendment required enabling legislation[1] in the provinces affected.

During the years, the Wheat Board legislation has been amended or found sufficient to accommodate additional powers including the following:

(i) In 1940 the Board was given authority to regulate deliveries of all wheat, oats, barley, rye and flax. Later rapeseed was added to the regulated list. This regulation eventually brought into being the delivery quota book.

(ii) During the Second World War the Board assumed administration of the program to provide farm storage payments and also the collection of a processing levy on wheat and wheat products utilized in Canada for human consumption.

(iii) During the war the Board was also empowered as the sole marketing agency for commercial flaxseed and was authorized under an arrangement with the wartime Vegetable Oil Controllers to purchase at a guaranteed price sunflower seed and rapeseed produced in the Western Provinces. These powers were discontinued after the war.

(iv) In 1943, before oats and barley came under direct Board jurisdiction, equalization funds were established for these coarse grains and the Wheat Board was empowered to assess equalization fees against permits issued for their export. The fee was equal to the difference between the wartime controlled domestic price and the higher export price oats and barley commanded and was distributed to producers who delivered these grains. Later the federal government undertook guarantees in respect to the equalization funds and advance payments were then made by the Board to producers at the time of delivery.

(v) In 1943 the federal government suspended trading in wheat futures on the Winnipeg Grain Exchange and the Wheat Board took over complete control in the marketing of all wheat delivered to country elevators in the designated area. Since then the Board's role in marketing wheat has been absolute.

(vi) In 1945 the federal government empowered the Wheat Board to maintain minimum prices for both oats and barley through purchases of either futures or cash oats and barley. In 1947 the Wheat Board Act was amended to

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[1] Enabling legislation in Alberta is *The Alberta Coarse Grain Marketing Control Act* (SA 1949 c. 25), in Manitoba, *The Manitoba Coarse Grain Marketing Control Act* (RSM 1954 c. 41) and in Saskatchewan, *The Saskatchewan Grain Marketing Control Act* (RSS 1953 c. 219). While legislation in Alberta and Manitoba deals only with oats and barley the Sasktchewan legislation affects grain as defined in *The Canadian Wheat Board Act* which includes wheat, oats, barley, rye, flax and rapeseed.

allow extension of Board powers over oats and barley and in 1948 the powers were extended. However, the Board still does not control prices of oats and barley as it does for wheat.

(vii) The Wheat Board was empowered by Parliament to administer both the Canada-United Kingdom Wheat Agreement and later the International Wheat Agreement.

(viii) In the 1952-53 crop year the Wheat Board Act was amended to provide for the transfer to a special account the undistributed balances of payments due to producers and which had been outstanding for more than six years. The funds in this special account have since been used to finance visiting Wheat Board missions, technical services and other sales promotional activities.

(ix) When Parliament enacted the Prairie Grain Advance Payments Act in 1957 the Wheat Board was empowered to make arrangements with the elevator companies to act as agents for the Board for the purpose of making provisional payments and receiving repayments.

This brief resume indicates the extent to which the jurisdiction of the Canadian Wheat Board has been extended over the years. Some extensions followed the advice of producers, some were dictated by war and its aftermath and some were directed by actual market conditions. There appears to be no barrier to extending Wheat Board powers to the handling of rye, flax and rapeseed.

4. *Argument in Support of the Proposal to Extend Wheat Board Jurisdiction To Flax, Rye and Rapeseed*

The Western Agricultural Conference of the Canadian Federation of agriculture is persuaded to advocate the extension of Wheat Board jurisdiction to the marketing of rye, flax and rapeseed for a number of reasons, including the following:

(i) Since 1940 the Wheat Board has had jurisdiction to regulate the delivery of all Prairie-grown wheat, oats, barley, rye, flax and rapeseed. While the Wheat Board pools the proceeds of the sales of wheat, oats and barley by grades and averages the net return on these crops to all producers this kind of pooling is not undertaken for rye, flax and rapeseed. For rye, flax and rapeseed the farmer must take the going street price and deliver these crops when there is a quota. But because of the delivery quota system producers cannot always deliver to meet a favorable price. Producers represented by this submission contend that if the Wheat Board is to continue to control delivery opportunity for rye, flax and rapeseed producers of these crops are placed at a disadvantage unless the Board also assumes some responsibility for marketing these crops and pooling the returns to all producers who deliver.

(ii) Grain elevator companies which buy and sell these grains sometimes have a similar problem. When they take delivery of these crops grain companies hedge the purchase on the Winnipeg Grain Exchange and then attempt to sell for a premium gain. Because of Wheat Board regulation of country elevator shipping orders companies frequently cannot take advantage of existing market premiums. With Wheat Board marketing of rye, flax and rapeseed the Board could

program movement of these grains into export position as required and the premium would tend to disappear. However, losses incurred would be shared by all producers marketing these grains and would not arise because of chance delivery to export locations.

(iii) Improvement in the marketing arrangements of these three grains through the Wheat Board would likely encourage some farmers to produce them who do not do so now. The result of increased diversification of field crop production would improve the farm income for those farmers who diversify in this direction and would likely result in increased delivery opportunity for those who remain solely in wheat production. The argument that farmers want to maintain rye, flax and rapeseed crops as so-called cash crops no longer applies to any significant degree. And for those who do market these grains the Wheat Board could offer greater stability in farm income through the pooling operation.

(iv) Foreign purchasers who are visited by Canadians on travelling missions say that they would prefer to buy their requirements from a single selling agency that could assure more uniform delivery arrangements. While Canadian flax and rapeseed do compete on a rather wide market against many alternative oilseeds, individual foreign purchasers say their processing facilities are geared to a given oilseed and for them there is no real alternative in the short-run. A single selling agency would provide for them some of the conditions of purchase they seek and the Canadian Wheat Board has the machinery and experience to provide this marketing service.

(v) In the case of the oilseeds in particular, there is great need for a consistent and organized promotion campaign in potential foreign markets. This proposal has been urged by two separate oilseed missions. A Canadian oilseeds trade mission to Europe in the fall of 1961 recommended this in the following words:

> "In view of the importance and value to Canada of our export trade in oilseeds and products ($100 million annually), it is recommended that the Department of Trade and Commerce consider an expansion of their trade promotional activities on behalf of Canadian oilseeds an oilseed products by means of more intensified market development projects, similar to those being carried out by competitive supplying countries."

A Canadian Oilseeds Trade Mission to Japan in the spring of 1964 recommended similarly in the following words:

> "The mission recommends that consideration should be given in Canada to the feasibility of adopting a market development program for Canadian oilseeds, similar to the extensive activities being carried out on behalf of competitive oilseeds."

The Canadian Wheat Board offers the best available machinery and experience for marketing promotion campaigns as well as for the actual marketing function.

(vi) Producers are aware that costs are involved in the marketing of any commodity whether by a controlled agency or the so-called free market and they contend that the Wheat Board machinery could handle rye, flax and rapeseed more efficiently than any possible alternative. Producers also are aware that the

Wheat Board may have little if any influence on actual selling price for grains and oilseeds which sell on international markets where alternatives are available and competition stiff. The possibility for uniformity of returns to the producer through the pooling of final market results is a main argument for supporting the extension of Wheat Board marketing of rye, flax and rapeseed.

5. *Suggestions About Determining Western Canadian Support*

The Western Agricultural Conference contends that both the provincial governments of the Western provinces and the producers who deliver these grains would support this extension of Canadian Wheat Board jurisdiction.

When the Wheat Board's jurisdiction was extended to oats and barley in 1948 the provincial legislatures in Alberta, Manitoba and Saskatchewan enacted enabling legislation. The Saskatchewan legislation appears sufficient to enable this extension of Wheat Board powers to rye, flax and rapeseed and if legislative amendment is required in Alberta and Manitoba it would likely be available without undue delay.

As for the producers, there already is ample evidence of widespread support for extension of Board jurisdiction to rye, flax and rapeseed. The Canadian Federation of Agriculture has passed resolutions urging this extension on many occasions in recent years. If the federal government considers this support insufficient an opinion poll or plebiscite as suggested by the recent C.F.A. resolution could be undertaken. However, such an opinion poll or plebiscite would be costly to conduct and in our view unnecessary in the light of general farm organization support already expressed.

If there is to be a formal plebiscite as the C.F.A. resolution suggests, it is our view that it be conducted by mail among those Prairie producers who have grown rye, flax and rapeseed in any one of the three most recent crop years.

If there is to be an informal opinion poll it is our view it should also be conducted by mail among all grain producers with a Wheat Board delivery permit and should provide opportunity for these producers to say whether they have grown rye, flax or rapeseed in any one of the three most recent years. It is our view that all producers should have opportunity to cast an opinion poll because: (1) those who now produce these grains and intend to continue would have an improved marketing system; (2) those who do not produce them may find greater encouragement to diversify their cropping into rye, flax and rapeseed because of the improved marketing conditions; and (3) those who do not produce these and have no intention of changing their production may find because others diversify into rye, flax and rapeseed that they have greater delivery opportunity for, say, wheat, oats and barley.

6. *Summary of Conclusions and Recommendations*

In conclusion the following may be said in support of the Canadian Federation of Agriculture proposal that powers of the Canadian Wheat Board be extended to the marketing of rye, flax and rapeseed:

(i) The farm organizations which support this submission represent a large majority of grain producers in the three Prairie provinces.

(ii) The production of rye, flax and rapeseed is increasing and most of the Canadian production of these three grains occurs on farms within the Wheat Board's jurisdiction in Western Canada.

(iii) A significant portion of each grain is sold on the export market either as seed or in processed form.

(iv) The prices of all three grains vary considerably. Street prices, which are the producers' price, have varied 25 cents on rye, 18 cents on flax and 24 cents on rapeseed, between January 1 and April 20, 1966; spot prices applicable to grain in export position at the Lakehead and Vancouver have varied 12 cents for rye, nearly 19 cents for flax and $1.02 for rapeseed.

(v) While the Canadian Wheat Board was established to market wheat in interprovincial and international trade its powers have been extended in many ways. Some of the new powers have been sought by producers, some dictated by war and its aftermath, some directed by Parliament, and some by changing market conditions.

(vi) Because the Wheat Board has power to regulate delivery of rye, flax and rapeseed to country elevators, producers argue the Board should also assume the marketing power because producers are frequently not able to take advantage of the changing market price.

(vii) Foreign purchasers have often said they prefer to buy their requirements of rye, flax and rapeseed from a single selling agency where uniform delivery arrangements could be assured.

(viii) In the case of oilseeds in particular, both producers and foreign buyers urge increased sales promotion and the Wheat Board is the most suitable Canadian organization to undertake increased sales promotion of Canadian grains.

(ix) Wheat Board control of these grains would likely encourage diversity of Prairie grain production, bringing increased benefits to those who increase their production of rye, flax and rapeseed and also to those who remain in the production of other grains.

(x) While the Western Agricultural Conference contends there is already indication of wide producer support for this proposal, those who present this submission would support a decision by the government to conduct either a formal plebiscite or informal opinion poll on the question and would be prepared to advise on preparation of either.

Respectfully submitted by:

WESTERN AGRICULTURAL CONFERENCE OF THE CANADIAN FEDERATION OF AGRICULTURE.

13-5-66.

25800—10

SUB-APPENDIX A

RYE, FLAX AND RAPESEED ACREAGE AND PRODUCTION
PRAIRIE PROVINCES—SELECTED YEARS

	Rye		Flax		Rapeseed	
	Acreage ('000)	Production ('000 bu.)	Acreage ('000)	Production ('000 bu.)	Acreage ('000)	Production ('000 lbs.)
Alberta						
1955	174	3,450	248	3,000	8	3,200
1963	200	3,180	303	3,700	200	143,000
1964	182	3,500	350	4,100	368	285,000
1965	200	4,600	414	5,700	735	475,000
Manitoba						
1955	83	1,700	531	4,600	5	3,380
1963	107	2,400	820	9,300	51	43,000
1964	149	3,100	984	9,300	70	58,400
1965	151	3,400	1,160	13,500	145	130,000
Saskatchewan						
1955	450	8,200	1,030	13,600	123	49,200
1963	275	5,600	506	7,300	232	253,000
1964	289	4,100	521	4,500	262	210,000
1965	340	7,300	610	7,900	555	535,000
Prairies Total						
1955	707	13,350	1,809	21,200	136	55,780
1963	582	11,180	1,629	20,300	483	443,000
1964	620	10,900	1,855	17,900	700	553,400
1965	691	15,300	2,184	27,100	1,435	1,140,000
All Canada						
1955	780	14,744	1,988	21,498	136	55,780
1963	651	12,848	1,685	21,136	483	443,000
1964	680	12,220	1,917	18,855	700	553,400
1965	746	16,695	2,239	27,954	1,435	1,140,000

Source: D.B.S.

SUB-APPENDIX B

STREET PRICES (DAILY CLOSING BROADCASTS) FOR RYE, FLAX AND RAPESEED AT HAGUE, SASKATCHEWAN, FOR VARIOUS DATES SINCE DECEMBER 31, 1965.

(Net Street Prices are those paid at the country elevator to farmers delivering grain and include freight to seaboard. Hague was selected because it is centrally located in the Prairie provinces. The freight rate per hundredweight for Hague is 24.5 cents to Lakehead and 26.5 cents to Vancouver.)

Date	Rye 2CW	Flax 1CW	Rapeseed 1CRS
Dec. 31, 1965	1.19	2.84½	2.22¾
Jan. 4, 1966	1.21½	2.86½	2.26¾
5	1.23	2.86	2.27¼
6	1.23½	2.85½	2.29¼
7	1.26	2.85½	2.31¾
10	1.26	2.82	2.30¾
11	1.26½	2.82	2.40¾
12	1.27½	2.84½	2.55¾
13	1.30½	2.85	2.52¾
14	1.32	2.88	2.46¼
17	1.27	2.87	2.37¾
18	1.27½	2.87	2.44¼
19	1.27	2.87½	2.45¼
20	1.25	2.86½	2.47¼
21	1.24½	2.85½	2.49¾
24	1.24½	2.88	2.52¾
25	1.24	2.90	2.49¾
26	1.22	2.91	2.50¼
27	1.21½	2.90	2.50¼
28	1.23	2.87½	2.54¼
31	1.21	2.85	2.54¾
Feb. 1	1.22	2.83	2.45¾
2	1.22	2.83	2.42¼
3	1.23	2.86	2.45¾
4	1.23	2.84½	2.60¾
7	1.24½	2.83½	2.57¼
8	1.22½	2.81½	2.50¾
9	1.23	2.85	2.51¼
10	1.21	2.84	2.44¾
11	1.21	2.83	2.45¾
14	1.21	2.84½	2.46¾
15	1.21	2.86½	2.42¾
16	1.19½	2.88	2.39¾
17	1.17½	2.86½	2.40¾
18	1.17	2.87	2.43¼
21	1.16½	2.86½	2.42¼
22	1.16	2.85	2.41¼
23	1.15½	2.82	2.38¼
24	1.14	2.81½	2.32¾
25	1.13	2.82	2.31¾
28	1.11½	2.80	2.29¾

25800—10½

SUB-APPENDIX B—*Continued*

Date	Rye 2CW	Flax 1CW	Rapeseed 1CRS
Mar. 1	1.13	2.82	2.32¾
2	1.12½	2.82½	2.35¼
3	1.11	2.83½	2.37¾
7	1.13½	2.84½	2.40¾
8	1.11½	2.80½	2.37¾
9	1.12½	2.78	2.36¼
10	1.12½	2.76½	2.35¼
11	1.13	2.77½	2.38¼
14	1.12	2.77	2.37¼
15	1.13½	2.78	2.36¾
16	1.13	2.80½	2.36¾
17	1.11	2.77	2.32¾
18	1.10	2.76	2.34¼
21	1.09½	2.74	2.32¾
22	1.08½	2.74	2.30¾
23	1.09	2.74½	2.32¼
24	1.10	2.75½	2.34¼
25	1.10½	2.75½	2.36¾
28	1.10	2.75½	2.36¼
29	1.09	2.74½	2.33¾
30	1.08½	2.74	2.35¾
31	1.08	2.74	2.35¾
Apr. 1	1.08	2.74	2.38¾
4	1.08	2.73	2.36¾
5	1.07½	2.73½	2.37¾
6	1.09	2.75	2.38¾
7	1.10	2.75	2.38¾
11	1.11	2.75½	2.38¾
12	1.11½	2.75	2.40¼
13	1.13	2.74	2.39¼
14	1.12½	2.74½	2.40¾
15	1.12½	2.75½	2.43¼
18	1.13	2.75	2.45¼
19	1.11½	2.74	2.46¼
20	1.11½	2.73	2.43¾

Source: Daily Broadcasts, Winnipeg Grain Exchange.

SUB-APPENDIX C

DAILY SPOT PRICES ON THE WINNIPEG GRAIN EXCHANGE FOR TOP GRADES OF RYE, FLAX AND RAPESEED

Date	RYE SPOT (Basis Lakehead)	FLAX SPOT (Basis Lakehead)	RAPESEED (Basis Vancouver)
	2CW	1CW	1 Canada
Friday—December 31/65	1.29 1/8	2.88 1/8	2.53 1/4
Tuesday—January 4/66	1.31 1/4	2.91 1/4	2.59
Wednesday—January 5	1.32 3/8	2.91 1/2	2.59 3/4
Thursday—January 6	1.32 1/8	2.91	2.60 1/2
Friday—January 7	1.34 1/2	2.91 7/8	2.63 1/2
Monday—January 10	1.34 1/2	2.89 3/8	2.63 1/4
Tuesday—January 11	1.34 3/8	2.91 1/8	2.76 1/4
Wednesday—January 12	1.35 7/8	2.94 1/2	2.91 1/2
Thursday—January 13	1.38 3/4	2.96	2.92
Friday—January 14	1.40 1/4	3.00 1/2	2.87
Monday—January 17	1.36 1/2	3.00 3/4	2.79 1/4
Tuesday—January 18	1.38 3/8	3.00 3/8	2.94 1/4
Wednesday—January 19	1.37 3/4	3.01 1/4	2.91
Thursday—January 20	1.38	3.02 3/8	2.95 1/2
Friday—January 21	1.38 1/8	3.02 1/8	2.97 1/4
Monday—January 24	1.38	3.04 7/8	3.02 1/2
Tuesday—January 25	1.37 3/4	3.07 1/8	3.17 1/2
Wednesday—January 26	1.36	3.08 1/4	3.32 1/2
Thursday—January 27	1.35 1/2	3.07 1/4	3.47 1/2
Friday—January 28	1.36 1/4	3.05 1/8	3.62 1/2
Monday—January 31	1.34 3/8	3.03 1/8	3.28
Tuesday—February 1	1.35 3/8	3.01	3.19
Wednesday—February 2	1.35 1/2	3.00 7/8	3.04 3/4
Thursday—February 3	1.37 1/4	3.04 1/4	2.88
Friday—February 4	1.37 1/4	3.03	3.13
Monday—February 7	1.38 1/8	3.02	3.09 1/2
Tuesday—February 8	1.37 3/8	3.00 3/8	3.03 1/2
Wednesday—February 9	1.39	3.03 3/4	3.05 1/4
Thursday—February 10	1.38 1/2	3.03	2.88 1/4
Friday—February 11	1.38 7/8	3.03 1/4	2.89 1/2
Monday—February 14	1.39 1/2	3.03 7/8	2.80 3/4
Tuesday—February 15	1.38 1/2	3.05 1/4	2.77
Wednesday—February 16	1.38	3.07 1/4	2.73 3/4
Thursday—February 17	1.37 1/4	3.06	2.76 1/4
Friday—February 18	1.37	3.06 1/2	2.81 1/2
Monday—February 21	1.36 3/8	3.06 3/8	2.78 3/4
Tuesday—February 22	1.36 3/8	3.05 1/4	2.77 1/4
Wednesday—February 23	1.36	3.01 1/2	2.75 3/4
Thursday—February 24	1.33 3/4	3.01 1/4	2.70
Friday—February 25	1.32 1/2	3.01 7/8	2.70 1/2
Monday—February 28	1.31 3/8	2.99 3/4	2.68 1/2
Tuesday—March 1	1.32	3.01 1/2	2.67 1/2
Wednesday—March 2	1.31 7/8	3.00 1/2	2.70 7/8
Thursday—March 3	1.30 3/8	3.02 1/8	2.71
Friday—March 4		Grain Exchange Closed	

SUB-APPENDIX C—*Continued*

Date	RYE SPOT (Basis Lakehead)	FLAX SPOT (Basis Lakehead)	RAPESEED (Basis Vancouver)
	2CW	1CW	1 Canada
Monday—March 7	1.30⅞	3.02¼	2.71¾
Tuesday—March 8	1.29½	2.99¼	2.68½
Wednesday—March 9	1.29⅞	2.97½	2.66¼
Thursday—March 10	1.30⅛	2.96¼	2.64
Friday—March 11	1.28⅝	2.96¾	2.66½
Monday—March 14	1.28⅝	2.96½	2.66¼
Tuesday—March 15	1.29¼	2.97¼	2.64¾
Wednesday—March 16	1.29½	2.99½	2.64¾
Thursday—March 17	1.29½	2.97¾	2.60¾
Friday—March 18	1.29	2.97⅛	2.63¼
Monday—March 21	1.28¾	2.95½	2.61½
Tuesday—March 22	1.27¾	2.94¾	2.60
Wednesday—March 23	1.28⅛	2.95⅛	2.60¼
Thursday—March 24	1.29⅛	2.96¼	2.62½
Friday—March 25	1.29⅝	2.96⅝	2.64
Monday—March 28	1.29½	2.96¾	2.65½
Tuesday—March 29	1.28⅝	2.96⅛	2.62½
Wednesday—March 30	1.28⅜	2.96½	2.64
Thursday—March 31	1.27½	2.96⅜	2.63½
Friday—April 1	1.28	2.96⅛	2.65½
Monday—April 4	1.27½	2.95½	2.65⅞
Tuesday—April 5	1.27⅛	2.96⅛	2.64⅝
Wednesday—April 6	1.28⅝	2.97½	2.66
Thursday—April 7	1.29¾	2.97⅜	2.66
Friday—April 8		Good Friday	
Monday—April 11	1.30½	2.97⅜	2.65⅞
Tuesday—April 12	1.30⅝	2.97¼	2.67½
Wednesday—April 13	1.32½	2.96½	2.66½
Thursday—April 14	1.31¾	2.96⅜	2.68
Friday—April 15	1.32½	2.97⅛	2.70

SOURCE: Daily Quotations—Stanley Jones Service

Appendix V

SUBMISSION TO
THE ST. LAWRENCE SEAWAY AUTHORITY

On The Question of Seaway Tolls and Fees

By

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

Representing:
Alberta Wheat Pool
Manitoba Pool Elevators
Saskatchewan Wheat Pool

MAY, 1966

ERRATUM

In the Submission to The St. Lawrence Seaway Authority on May 25, 1966 at OTTAWA by Canadian Co-operative Wheat Producers Limited read on page 13 in the last paragraph

If this estimated increase is correct the suggested toll increase would result in additional costs of between $450,000 and $500,000 (*not* between $4.5 million and $5 million) a year for the movement of export wheat, etc. (corrects figures)

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

Representing: Alberta Wheat Pool
Manitoba Pool Elevators
Saskatchewan Wheat Pool

Regina,
May 30, 1966.

SUBMISSION TO
THE ST. LAWRENCE SEAWAY AUTHORITY

by

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LTD.

Introduction

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Traffic on the Montreal-Lake Ontario section of the St. Lawrence Seaway, analysed as to local or international carriage in terms of percentage of total tonnage.

Introduction

Canadian Co-operative Wheat Producers Limited is the spokesman for the three Wheat Pools of Western Canada which are Alberta Wheat Pool, Manitoba Pool Elevators and Saskatchewan Wheat Pool. Taken together the Pools have some 160,000 active farmer members—50,000 in Alberta, 35,000 in Manitoba and 75,000 in Saskatchewan—and represent a majority of the farm population of the three Prairie provinces.

The Pools are organized separately as farmer-owned co-operative associations to undertake for members on a non-profit basis the marketing of farm

produce. In particular, the Pools operate country elevators which handle grain in all three provinces as agents for The Canadian Wheat Board and operate terminal elevators again as agents for the Board at both the Canadian Lakehead and Vancouver. In some of the three provinces the Pools market livestock as agents for farmer members, process meat, flour and vegetable oils, publish a farm newspaper and distribute seed and farm supplies. Each Pool is engaged in the manufacture of fertilizer. The pools collectively operate an insurance company and an insurance agency.

1. *Wheat Pools have traditionally supported Seaway but opposed tolls:*

The three Wheat Pools have long been staunch advocates and supporters of the St. Lawrence Seaway. Our interest in this hearing is to bring to your attention our concern about the existing financing arrangements and particularly the question of tolls.

In the past we have made a number of submissions both to your Authority and the the Government of Canada concerning this question.

In October 1958 we said to the Government of Canada that we opposed any tolls for the inland Welland Canal and urged the maintenance of a toll-free system on the Great Lakes Waterways as well.

In March 1960, after the St. Lawrence Seaway was opened, we repeated our position and said to the Government of Canada that we opposed any tolls on the Welland Canal and argued against any increase of tolls on any portion of the Great Lakes system.

In July 1963 we supported, as a member, the submission to your Authority by the Great Lakes Waterways Development Association which argued against any tolls on the Welland Canal and for the elimination of tolls to recapture capital investment on any part of the Seaway system.

Three-Point Pool Argument

In October 1963 we submitted a statement to your Authority on our own behalf in which we said that:

(i) We oppose in principle the recovery by user tolls of the capital cost expenditures by government in any transportation facility and we oppose in particular the present arrangement for recovering the capital costs of the St. Lawrence Seaway development over 50 years on the basis of tolls on traffic using the waterway.

(ii) We oppose any tolls on the Welland Canal either for recovery of capital costs or for maintenance and operation of the facility.

(iii) We oppose any immediate increase in existing toll tariffs on any part of the Great Lakes waterway.

In October 1965 we submitted a further statement to your Authority which presented a similar three-part argument.

Our position today is unchanged from the view submitted to your Authority in both 1963 and 1965. We appear today to repeat our argument at this hearing which is to consider proposed toll increases.

2. *Why Prairie Farmers Oppose User Tolls On The Seaway:*

On previous occasions the Wheat Pools have presented argument to support the farmer's opposition to tolls on the Seaway. The burden of that argument has been recalled and need not be repeated in detail. However, there are some major considerations which must be repeated in this submission.

Farmers Pay Full Toll

The first consideration is that the actual toll collected on Prairie grains is borne by Prairie producers of those grains. Not only can the farmer not evade the burden of the tolls he cannot pass any of them on to another. Consider, for example, the situation as it applies to wheat, the major crop in Western Canada and a commodity which accounts for a significant portion of total tonnage navigating the Seaway. Consider the following:

(a) The Canadian Wheat Board has a single and unique pricing policy for wheat which is to offer Canadian wheat for export sale on the basis of the Canadian-in-store price at the Lakehead which is directly determined by the CIF Europe price.

(b) The CIF Europe price is not determined by costs of production and delivery but by demand and supply factors operating on the international grain market.

(c) Because the price elasticity of demand for wheat is low any change upwards or downwards in its total price has an insignificant effect on the quality sold.

(d) Any change upwards or downwards in the price of a single component of its CIF Europe price (which is the farmers' return plus insurance during handling and transit plus freight charges) will bring about a counter-balancing adjustment in at least one other component to leave the CIF Europe price unchanged.

Any change in Seaway tolls amounts really to an increase or decrease in freight charges. Because the end CIF Europe price remains unchanged, this must result in a corresponding adjustment in one of the other components of the final price. With insurance rates also unchanged, actual freight *increases* result in a lower Wheat Board price to producers of wheat. Freight *decreases* would result in an increased return to Prairie producers.

Wheat is the main agricultural commodity moving through the Seaway and in the years since 1959 accounted for 13 to 28 per cent of all cargo tonnage moving through the Montreal-Lake Ontario section of the Seaway and for 14 to 23 per cent of the cargo tonnage moving through the Welland Canal (See Tables A and B). It is also significant to note that almost half of all Canadian wheat exports moved through the Seaway and was subject to one toll or another in each of the years since the Seaway was opened (See Table C).

Recovery of Capital Investment Not Justified

Another reason why farmers oppose Seaway tolls is because the toll structure seeks to recover capital investment and this the farmers do not think is desirable for a publicly-owned transportation utility. Farmers do not find

justification for the recovery of capital investment from Seaway users by a government which through the years has made many kinds of public investment in transportation facilities without there being any direct obligation for the users to repay the investment. Consider, for example, the following list of public investment in transportation which was compiled by Mr. Justice W. F. A. Turgeon when he was chairman of a 1951 royal commission on transportation[1]. The list included:

(i) The construction of the National Transcontinental Railway to encourage the shipment of goods through Canadian ports;

(ii) The construction in Central Canada of an extensive canal system which became toll free, built at a cost of about $328 millions and maintained at government expense;

(iii) The granting of substantial areas of land and subsidies to encourage and assist railway construction and the opening up of the country;

(iv) The taking over by the country in the years between 1918-23 of the bankrupt railway lines and welding of them along with government lines into the Canadian National Railway system;

(v) The construction of Hudson Bay Railway and the development of the Port of Churchill;

(vi) The subsidization of coastal shipping services and large investments in harbors and other navigation facilities; and

(vii) The large investment in and operation of Trans-Canada Air Lines and assistance given to other air lines.

The learned jurist said this government activity in the transportation industry indicates "the continuous concern of Parliament with Canada's transportation problems including the problem inherent in great distances and sparse population." The Wheat Pools do not believe the government sought recovery of its investment from the users in the previous instances and cannot support the attempt to recover Seaway investment through user tolls.

Revenues Do Not Even Meet Interest On Debt

An examination of the Seaway's financial operations since 1959 indicates the difficulty in attempting to recover capital investment through user tolls (See Tables D. and E.). While the Montreal-Lake Ontario section has managed to meet all its operating expenses the operating profit was not sufficient in any one year since 1959 to meet interest on the capital invested let alone make any contribution towards reducing the principal of the debt. As a result the accumulated deficit has mounted to $36 millions with no reduction in the capital investment principal.

The Welland Canal did not manage to meet its operating expenses even in the years when tolls were charged and the accumulated deficit for this portion of the Seaway has mounted to $29.2 millions.

Taking the two together, the deficit accumulated because the operating revenue was not sufficient to meet operating costs, a replacement provision and

[1] Report of Royal Commission on Transportation (Queen's Printer 1951) page 274-5.

interest on the capital investment, had reached $65.2 millions by the end of 1964. Later reports were not available when this submission was prepared.

The inability of operating revenues for both the Montreal—Lake Ontario section and the Welland Canal to meet full interest requirements has caused a steady increase in the Authority's outstanding indebtedness.

Auditor General Outlines Changes In Agreement

Because of the Authority's inability to meet its annual interest and principal repayment requirements the Government of Canada has been forced to make certain changes in these requirements. In the Authority's 1964 annual report the Auditor General of Canada comments on these changes in the following statement:

> "Under the provision of Section 16 of the St. Lawrence Seaway Authority, tolls are to be 'designed to provide a revenue sufficient to defray the cost to the Authority of its operations;' which costs are defined as including payments in respect of the interest on amounts borrowed by the Authority and amounts sufficient to amortize the principal of amounts so borrowed over a period not exceeding fifty years."
>
> "The original conditions under which loans were made to the Authority under Section 25 of the Act required payment only of interest in the first three full years of operation (through the year ending December 31, 1962) and thereafter payment of annual amounts sufficient to amortize over a period of 47 years (or by December 31, 2009) all loans and interest thereon.
>
> "The terms of the Authority's financing arrangements were amended in 1961, in 1963 and again in 1964 and now call for repayment of all interest-bearing loans together with interest previously deferred and all other interest accrued or accruing up to December 31, 1966, together with current interest thereon, in 43 equal annual installments commencing on December 31, 1967."

The position of the Wheat Pools on this matter is that continued attempt to recapture from toll revenue the outstanding indebtedness would require toll increases to the point where traffic would find use of the waterway prohibitive. The Government of Canada has apparently elected to amend the Seaway financing arrangements on a number of previous occasions when it found Seaway toll revenues insufficient to meet annual debt charges. Despite future traffic estimates, we doubt whether traffic tolls will ever begin to meet the annual debt demands and suggest the government amend the legislation which requires the Authority to attempt this impossible feat.

Welland Canal A Special Case

When the St. Lawrence Seaway was formally opened in 1959 the operation of the Welland Canal was added to the Seaway Authority's jurisdiction and a toll for use of this canal was introduced. That toll was formally suspended in 1962. The position of the Pools is that the Welland Canal must be considered as a special case and remain a free waterway.

The series of locks which comprise the Welland Canal section of the Seaway are one of the wonders of the world. They provide a lift system which allows ships to climb the mighty Niagara escarpment and move inland from Lake Ontario to Lake Erie, a change in elevation of some 325 feet. Although the first canal, completed in 1833, was primarily the work of a private development company all three succeeding canals have been developed with government assistance or by direct government participation. Through most of its history the inland Welland Canal has been toll-free and except for a brief period between 1959 and 1962 has been without tolls since 1903.

The 27.6 miles of the Welland Canal is the only canal of some 27,000 miles of inland waterway within continental North America where there has been any recent attempt to collect user tolls. Canals operated by the United States remain toll free.

The localized importance of the Welland Canal is indicated by traffic data which reveal the percentage of total traffic that travels through the Canal between one Canadian port and another and between United States and Canadian ports. Taken together, between 75 and 80 per cent of total Welland Canal traffic can be described as local North American traffic in each of the years between 1959 and 1965 (See Tables F. and G.). For the Montreal—Lake Ontario section of the Seaway a somewhat lower percentage of total traffic can be described as North American and a rather greater percentage as foreign import and export traffic.

3. *The current proposals and what the Wheat Pools think of them:*

Among the proposals under consideration at this series of hearings there are two of special interest to members of the Wheat Pools. One would increase by about 10 per cent the level of tolls applicable on gross registered tonnage and bulk cargo navigating the Montreal-Lake Ontario section of the Seaway and the other would introduce a form of lockage fee on ships navigating the Welland Canal.

The Pools would oppose these two proposals first because they impose an additional burden on the movement of agricultural produce from the Prairies to markets in eastern Canada and abroad. The effect of this kind of toll increase on export wheat alone could add up to one-half cent on the farmer's costs of marketing. These increases would have to be met directly from the grain farmers' pocket.

In arguing against these proposed toll increases the Wheat Pools would direct attention to two statements made by the St. Lawrence Seaway Authority in a paper prepared to support the proposed increases. The document was published on April 13, 1966 under the title *Summary of Future Traffic Estimates and Toll Requirements.*

Proposals for The Montreal-Lake Ontario Section

"While traffic has not yet reached the levels forecast in 1958, the last three navigating seasons have shown a most encouraging growth. However, because of the shortfall in revenue since 1959 and the consequent increase in debt it is not realistic to expect that with the

existing level of tolls traffic can develop fast enough to pay off the Entities' financial obligations within the 43 years remaining of the original 50-year amortization period. Moreover, operations and maintenance costs are continuing to rise.

"While there are many unknown factors involved in the assessment of future traffic, canal capacity, operation and maintenance costs, etc., the Entities believe that in the light of the best information presently available it may be possible by raising the tolls by approximately 10 per cent in 1967 to obtain sufficient revenues to meet the statutory debt requirements. Experience gained in the application of the proposed toll would, of course, be reviewed at the end of the five-year term of the proposed agreement."

This kind of statement may be justified but the Wheat Pools would suggest that experience of the Seaway operation in the years since 1959 does not offer sufficient justification. Although the Montreal-Lake Ontario section of the Seaway showed a net operating profit in each of the years 1959 to 1964 at no time was that operating profit sufficient to meet interest payments despite the fact that cargo tonnage in those six years doubled. No repayment of any kind has yet been made on the actual capital. In the light of this experience we fail to see how a 10 per cent increase in toll charges would really alter the situation sufficiently to meet the debt requirements on schedule.

Welland Canal Proposals

"This facility is owned and operated by Canada. Since 1962 the tolls provided for in the tariff have been suspended. No recovery of capital cost or the cost of operating and maintaining the canal has been made since that time—in 1965 the operating loss amounted to $8.2 million. It is now proposed that a lockage charge, designed ultimately to recoup the cost of operating and maintaining the canal should be introduced.

"The lockage charge would be 'phased-in' over the five-year period 1967-1971, commencing with a charge of $20 per lock in 1967 rising to $100 per lockage in 1971. Cost of the full transit of the Welland Canal, would, therefore, be $160 in 1967, rising to $800 in 1971. As a measure to improve efficiency of operations tandem lockages would be permitted at the same time as a single transit so that two ships could split the lockage charge. During the five-year period collection of the tolls on cargo tonnage transiting the Welland Canal would remain suspended."

The most interesting feature of this argument is that the St. Lawrence Seaway Authority appears to have given up any attempt to recover the capital investment on the Welland Canal and now would satisfy itself only with collecting a charge to meet the costs of operating and maintaining the canal. The position of the Wheat Pools on this proposal remains unchanged: we oppose any toll or charge of any kind for the navigation of the Welland Canal.

The Seaway Authority document suggests that the proposed toll increases for the Montreal-Lake Ontario section would amount to one-third of a cent per bushel of wheat. If this estimated increase is correct the suggested toll increase

would result in additional costs of between $4.5 million and $5 million a year for the movement of export wheat from Prairie positions to export location at Eastern ports.[1] This amount would be paid directly by The Canadian Wheat Board and would result in a decrease in the actual cash income of Prairie farmers by that amount.

4. *Summary of Conclusions:*

The Wheat Pools oppose the proposal to increase user tolls on the Montreal-Lake Ontario section of the Seaway because any increase in tolls results directly in an increase in the Prairie farmer's cost of moving his produce to market in either eastern Canada or abroad or in the costs of the many goods he purchases from eastern Canada and abroad. These are increased costs the Prairie farmer can ill afford.

The Wheat Pools oppose the proposal to introduce lockage fees for the Welland Canal because we oppose any form of toll or charge for the use of this domestic and inland waterway.

The Wheat Pools urge the St. Lawrence Seaway Authority undertake to renegotiate with the United States Seaway Entity the terms of the financing agreement to remove completely the present obligation to recoup the capital investment through user tolls. We simply do not think any acceptable level of tolls will in fact recoup the capital investment and we cannot support the attempt of this recovery through user tolls. The Canadian government has provided investment in other transportation facilities without attempt to recoup the investment through user tolls. With this requirement removed present tolls on the Montreal-Lake Ontario section of the Seaway would be more than adequate to meet operating and maintenance costs. In fact reduced tolls might be possible.

All of which is respectfully submitted by

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LTD.,
Representing:
Alberta Wheat Pool
Manitoba Pool Elevators
Saskatchewan Wheat Pool.

Regina,
May 24, 1966.

[1] This estimate is based on the annual average movement of Prairie wheat through the Seaway. The annual wheat movement east in the years 1959 to 1965 averaged 175 million bushels. The quantity of wheat moving by rail averages 20 million a year. This leaves 155 million bushels to bear the Seaway tolls. (See Table C).

TABLE A

TRAFFIC ON THE MONTREAL-LAKE ONTARIO SECTION OF THE ST. LAWRENCE SEAWAY, BY COMMODITY MOVEMENTS IN PERCENTAGE OF TOTAL CARGO TONNAGE

Commodity	1959	1960	1961	1962	1963	1964	1965
Wheat	12.1	19.0	27.8	19.2	23.6	23.4	19.9
Corn	4.4	5.4	6.8	8.5	8.6	8.2	8.4
Oats	3.4	2.5	1.2	2.8	1.7	1.0	2.0
Barley	5.3	5.8	3.0	4.3	3.6	3.1	3.0
Coal	5.8	5.0	4.9	4.6	3.1	2.1	2.4
Iron Ore	30.1	21.2	17.2	23.6	26.5	30.9	29.5
Pulpwood	1.5	1.3	.8	.7	.6	.6	0.5
Fuel Oil	5.3	5.8	4.7	4.8	4.2	3.9	4.4
Newsprint	1.5	1.3	1.2	1.2	1.0	.9	1.0
All Other Commodities	30.6	32.7	32.4	30.3	27.1	25.9	29.9
Total Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Cargo (in millions of tons)	20.6	20.3	23.4	25.6	30.9	39.3	43.4

SOURCE: St. Lawrence Seaway Authority annual reports 1960 to 1963 and St. Lawrence Seaway traffic reports prepared by the St. Lawrence Seaway Authority and the St. Lawrence Seaway Development Corporation.

TABLE B

WELLAND CANAL TRAFFIC BY COMMODITY MOVEMENTS IN PERCENTAGE OF TOTAL CARGO TONNAGE

Commodity	1959	1960	1961	1962	1963	1964	1965
Wheat	13.7	15.4	22.9	15.0	18.7	19.1	16.4
Corn	4.1	4.6	5.8	7.2	7.0	6.7	7.3
Oats	3.0	1.9	1.1	2.0	1.5	.3	1.7
Barley	5.0	4.9	2.9	3.6	3.3	2.9	2.9
Coal	17.5	15.0	13.9	13.7	12.2	12.2	13.5
Iron Ore	25.1	26.8	21.2	29.0	30.9	32.8	30.2
Pulpwood	1.2	.9	.7	.5	.5	.5	.3
Fuel Oil	2.9	2.5	2.6	2.5	1.9	1.8	2.0
Newsprint	1.6	1.5	1.5	1.3	1.1	.9	1.0
All Other Commodities	25.9	26.5	27.4	25.2	22.9	22.8	24.7
Total Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Cargo (in millions of tons)	7.1	29.2	31.5	35.5	41.3	51.4	53.4

SOURCE: St. Lawrence Seaway Authority annual reports 1960 to 1963 and St. Lawrence Seaway traffic reports prepared by the St. Lawrence Seaway Authority and the St. Lawrence Seaway Development Corporation.

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TABLE C

ANNUAL OVERSEAS EXPORTS OF CANADIAN WHEAT BY CLEARANCE SECTORS
In Millions of Bushels and in Percentages of Total, 1959 to 1965

Clearance Sectors	1959		1960		1961		1962		1963		1964		1965	
	bu.	%	bu.	%	bu.	%	bu.	%	bu.	%	bu.	%	bu.	%
Via Canadian St. Lawrence Ports	89.2	30.8	84.1	31.0	119.6	34.5	120.5	33.9	111.1	33.9	280.7	47.5	151.5	38.
Via Canadian Atlantic Seaboard Ports	29.7	10.3	24.4	8.9	33.5	9.7	21.7	6.1	18.7	5.7	53.9	9.1	33.9	8.
Via Ft. William-Port Arthur Direct	5.0	1.7	7.3	2.7	11.0	3.2	9.9	2.8	7.9	6.7	7.6	1.3	4.1	1.
Total (Eastern Ports)	123.9	42.8	115.8	42.6	164.1	47.4	152.1	42.8	137.7	46.3	342.2	57.9	189.5	47.
Via Canadian Pacific Seaboard Ports	106.5	36.8	95.1	35.0	124.2	35.8	149.9	42.3	139.5	42.6	171.8	29.1	155.1	39.
Via Churchill	18.4	6.4	21.7	8.0	20.1	5.8	19.2	5.5	21.8	2.4	21.7	3.7	22.1	5.
Via Other Channels														
Exports of Wheat Flour	37.1	13.9	37.0	13.6	35.7	10.3	32.0	9.0	27.2	8.3	54.4	9.2	31.4	7.
United States Imports	3.4	1.1	2.1	.8	2.5	.7	1.5	.4	1.2	.4	1.0	.1	—	—
Grand Total All ports	289.3	100.0	271.7	100.0	346.6	100.0	354.7	100.0	327.4	100.0	591.1	100.0	391.1	100.

SOURCE: Board of Grain Commissioners for Canada annual reports and the Canadian Grain Exports reports of the Board of Grain Commissioners for Canada for 1964 and 1965.

TABLE D

OPERATIONAL HIGHLIGHTS OF THE MONTREAL-LAKE ONTARIO SECTION OF THE ST. LAWRENCE SEAWAY, FOR YEARS ENDED DECEMBER 31.
(all figures in $ millions)

Year	Cargo Tons	Revenue			Expenses			Net Operating Profit (Loss)	Interest on Capital Investment	Loss for Year	Accumulated Deficit
		Toll	Misc.	Total	Operating	Replacement Provision	Total				
		$	$	$	$	$	$	$	$	$	$
1959	20.6	7.1	0.3	7.4	1.4	0.3	1.7	5.7	7.4	(1.7)	(1.7)
1960	20.3	7.2	0.1	7.3	2.1	0.4	2.5	4.8	11.5	(6.7)	(8.4)
1961	23.4	8.1	0.1	8.2	2.3	0.5	2.8	5.4	12.7	(7.3)	(15.7)
1962	25.6	8.9	0.2	9.1	2.9	0.5	3.4	5.7	13.8	(8.1)	(23.8)
1963	30.9	10.7	0.6	11.3	3.1	0.6	3.7	7.6	14.7	(7.1)	(30.9)
1964	39.3	13.5	0.6	14.1	3.3	0.5	3.8	10.3	15.5	(5.2)	(36.1)

SOURCE: 1963 and 1964 annual reports of the St. Lawrence Seaway Authority.

TABLE E

OPERATIONAL HIGHLIGHTS OF THE WELLAND CANAL SECTION OF THE ST. LAWRENCE SEAWAY, FOR YEARS ENDED DECEMBER 31.
(all figures in $ millions)

Year	Cargo Tons	Revenue			Expenses			Net Operating Profit (Loss)	Interest on Capital Investment	Loss for Year	Accumulated Deficit
		Toll	Misc.	Total	Operating	Replacement Provision	Total				
		$	$	$	$	$	$	$	$	$	$
1959	1.2	1.2	0.6	1.8	2.3	0.3	2.6	(0.8)	0.7	(1.5)	(1.5)
1960	1.2	1.3	0.7	2.0	3.7	0.4	4.1	(2.1)	1.2	(3.3)	(4.8)
1961	1.1	1.5	0.7	2.2	4.4	0.5	4.9	(2.7)	1.5	(4.2)	(9.0)
1962*	.9	0.6	0.8	1.4	4.3	0.5	4.8	(3.4)	1.8	(5.2)	(14.2)
1963	.7	—	0.8	0.8	4.9	0.4	5.3	(4.5)	2.1	(6.6)	(20.8)
1964	.6	—	0.9	0.9	6.3	0.4	6.7	(5.8)	2.6	(8.4)	(29.2)

SOURCE: 1963 and 1964 annual reports of the St. Lawrence Seaway Authority.
*-Tolls suspended on July 18, 1962.

TABLE F

TRAFFIC ON THE WELLAND CANAL ANALYZED AS TO LOCAL OR INTERNATIONAL CARRIAGE IN TERMS OF PERCENTAGE OF TOTAL TONNAGE

	1960	1961	1962	1963	1964	1965
Between Canadian Ports	22.4	28.6	21.9	22.9	23.7	21.0
Between Canadian and United States Ports	54.1	48.4	55.8	59.2	57.8	56.4
Between United States Ports	3.6	3.1	3.0	2.4	2.0	1.7
Import and Export Foreign Traffic	19.9	19.9	19.3	15.5	16.5	20.9
Total Percent	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: St. Lawrence Seaway Authority annual reports and St. Lawrence Seaway traffic reports prepared by the St. Lawrence Seaway Authority and the St. Lawrence Seaway Development Corporation for selected years.

TABLE G

TRAFFIC ON THE MONTREAL-LAKE ONTARIO SECTION OF THE ST. LAWRENCE SEAWAY ANALYZED AS TO LOCAL OR INTERNATIONAL CARRIAGE IN TERMS OF PERCENTAGE OF TOTAL TONNAGE

Origins and Destinations	1960	1961	1962	1963	1964	1965
Between Canadian Ports	31.9	38.6	30.3	31.4	31.0	29.5
Between United States and Canadian Ports	31.5	27.2	37.0	42.7	42.7	39.1
Between United States Ports	.2	.5	.5	.4	.3	.3
Import and Export Foreign Traffic	36.4	31.7	32.2	25.5	26.0	31.1
Total Percent	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Seaway Authority annual reports and traffic reports of the St. Lawrence Seaway prepared by the St. Lawrence Seaway Authority and the St. Lawrence Seaway Development Corporation for selected years.

APPENDIX VI

STATEMENT WITH RESPECT TO THE CANADA LABOUR (STANDARDS) CODE AS IT APPLIES TO THE OPERATION OF COUNTRY GRAIN ELEVATORS.

Saskatchewan Wheat Pool
February 8, 1967

Introduction

The Canada Labour (Standards) Code came into effect on July 1st, 1965. The Saskatchewan Wheat Pool, along with other grain companies applied to the Minister of Labour for an order of deferment of Part 1—Hours of Work of the Code under the provisions of Section 51.

On May 2nd, 1966, the Minister of Labour issued an order deferring the application of Part 1 of the Code to the operation of Country Elevators to July 31st, 1967.

Attached hereto is a statement identifying the provisions of the Code which the Saskatchewan Wheat Pool feels are so restrictive in nature that it is impossible to operate an elevator system in accordance with them without seriously dislocating the service to the producer and adversely affecting the movement of grain to market position.

CANADA LABOUR (STANDARDS) CODE
As it applies to Elevator Operators.

Some provisions which we consider too restrictive:

1. Section 5—fixes a standard 8 hour day and a standard 40 hour week, either of which may not be exceeded without payment of ovetime. Section 5 also provides that "no employer shall cause *or permit an employee* to work longer hours than 8 hours in any day or forty hours in any week".

2. Section 6—restricts the amount of overtime that may be worked in any one week to a maximum of 8 hours.

3. Section 8—provides that when "an employee is required or *permitted* to work in excess of the Standard hours of work, he shall be paid overtime at a rate of wages not less than one and one-half times his regular rate".

4. Section 9—provides that the Minister of Labour may issue a permit authorizing the working of additional hours in excess of the maximum 48 hours per week. Such permit will be issued only when the employer "has satisfied the Minister that there are exceptional circumstances to justify the working of additional hours".

5. Section 38—provides, among other things, that "where an Inspector finds that an employer has failed to pay an employee any overtime pay to which an employee is entitled, the Inspector may determine the difference between the wages actually paid to the employee and the wages to which an employee is entitled...".

6. Section 39—requires every employer to "make and keep for a period of at least twenty-four (24) months after the work is performed...wage rate, hours worked...and such records shall be available at all reasonable times for examination by an Inspector".

7. Section 41—provides, among other things, that the "employer shall, at the time of making any payment of wages to an employee, furnish to the employee, a statement in writing setting out—the number of hours for which payment is made...the rate of wages".

Reasons why we consider these provisions too restrictive:

Elevator operators presently work undefined hours. During slack seasons they are free to be away from their place of work and work considerably less than an 8 hour day or a 40 hour week. They exercise individual judgment in respect of hours that they are in or around their elevators. During the busy season the delivery and movement of grain is such that longer than maximum hours allowed under the Act are required.

A variety of factors influence delivery and movement of grain, none of which are within the control of the operator or Company. Some of these are:

Delivery quotas
Availability of Canadian Wheat Board Shipping Orders
Availability of box cars and the numbers and time at which they are spotted at the elevator
Weather and crop conditions
World market conditions

Most of these factors are controlled by regulations and legislation of Government Departments other than the Department of Labour.

There are very wide fluctuations in the volume of grain moved on a month to month, week to week, as well as day to day basis. We do not have the right to regulate the delivery and shipment of grain and it is, therefore, impossible for us to predict in advance the hours of work required for our operators. Hence the averaging provisions referred to in Section 5 (2) of the Code appear to be of little, if any, use. For example, in the grain year just completed (July 31st, 1966) any averaging scheme would have been severely dislocated by the extension of open quotas to August 21st, 1966. The Canada Labour (Standards) Code does not take into consideration the effect on hours of work in an elevator system, resulting from regulations of other Government Acts and Legislation. We feel that this incompatibility between various Acts regulating the movement of grain makes it impossible to operate an elevator system under the restrictions outlined above without seriously dislocating the service that the producer requires and without seriously affecting the movement of grain to market position.

The provision under Section 9 whereby the employer may apply to the Minister for a permit to work in excess of the maximum work week of 48 hours, is of little value unless the employer is in a position to anticipate in advance when special circumstances will exist. We maintain that the employer is not able to do this.

Elevator operators are an unsupervised group of employees scattered geographically over the entire province and visited infrequently by a Travelling

Superintendent. We do not see how it is possible to prevent any unsupervised employee who has a key to the premises from working longer than standard hours if he so chooses. Section 5 of the Act would require us to do so. Further, it will be impossible for us to maintain an accurate record of hours worked by approximately 1,000 unsupervised agents in as many locations in Saskatchewan as required under Section 39 and 41. We do not know how the Company could establish accurately the hours of overtime for which any employee should be paid. The grain industry would be the only industry we know of required to pay overtime on the basis of records prepared by the employee alone. If a dispute arose between the employee and the Company over the amount of overtime pay an employee may be entitled to, where is the Department of Labour Inspector to obtain an undisputed record of hours worked, in order that he may carry out his enforcement duty under Section 38?

Our present pay plan consists of a basic montly wage, an allowance based on handling of primary receipts during the grain year, plus commissions on the sale of a variety of farm supplies which the agent may sell during regular hours, after regular hours and on his day off. In view of this, what shall constitute hours of work? Shall the time spent selling farm supplies after hours be included in the standard work day, or should time spent on commission sales be excluded? How is it possible to establish an accurate record of hours of work to comply with Section 8? The term "wages" under the Code includes every form of remuneration for work performed, excluding tips and gratuities. An agent's full remuneration is not known (handling allowances) until complete records for the grain year are compiled. This makes it impossible to comply with the terms of Section 41.

Under Hours of Work Acts in other jurisdictions (Province of Saskatchewan) there is provision for exclusion from the terms of the Act for those employees whose remuneration is calculated wholly or partly on a commission basis.

APPENDIX VII

SUBMISSION

on behalf of CCF Members of
the Saskatchewan Legislature

by

I. C. Nollet, M.L.A., Cutknife

on

"Agriculture in Saskatchewan"

to the

HOUSE OF COMMONS COMMITTEE ON AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Regina, Saskatchewan
February 8, 1967

Mr. Chairman:

I very greatly appreciate the opportunity to make a presentation to your Committee as you travel across our great country seeking information and advice which may be of benefit to our basic farm industry.

You are to be congratulated on your decision to obtain valuable first-hand information in this manner.

I am aware that your terms of reference and subsequent report to Parliament are limited to the Wheat Board and associated wheat aspects of the agricultural industry. However with your indulgence I would appreciate the opportunity at this time to deal with what I consider to be the main problems confronting the wheat farmers as well as farm problems generally. I would do so in the knowledge that under the terms of reference while your committee cannot report to Parliament regarding matters beyond its scope; however, I would very much appreciate making more extensive observations for the benefit of members.

The Wheat Board principle of marketing and its successful operation over the years represents the greatest advance made to date in marketing a farm commodity. This government agency has brought greater price stability and marketing advantages to the wheat aspects of our farming economy than any other action taken by the Federal Government in the field of marketing farm products. Extending the scope of the Wheat Board principle of marketing to other field crops not now included and the establishment of a similar Board for the marketing of other farm products might well be considered. This is not to say, however, that the present price of wheat is adequate. This is not due though to any major deficiency in the Wheat Board system of marketing but is largely due to the influence of constantly rising farm costs.

Your decision to become a travelling committee could not have come at a more opportune time. I say this because to date no effective solution has been found for the major problems which have adversely affected our basic industry

of Agriculture. Many piecemeal palliatives have been applied but none have as yet achieved the desired objective of arresting the cost-price squeeze faced by farmers. Bumper crops in the last several years have only camouflaged the problem. It is now an established fact that the past and present trends will continue in the future unless a completely new and bold approach is developed to find a solution to the salient problem of inadequate farm income.

May I emphasize as strongly as possible that the central problem is low income. I say this at this point because further along in my presentation I wish to elaborate on this point more extensively.

Looking back over the years one can only conclude that our self-employed farm population has constantly faced a serious income deficiency problem. One must also conclude as stated previously corrective measures employed to date have proven to be ineffective. The only available escape for the farmer from his low income quandary was to either get off the farm and seek better income opportunities in the non-farm sector or to enlarge the scope of his farm operations.

In the latter case this too now presents a doubtful method of improving realized net farm income to any great extent.

Past Trends in Saskatchewan Agriculture

Let us first of all review past trends as background material to realistically analyze past and present trends and endeavour to pinpoint some of the causes. For example:

In 1936 the total occupied farm land in Saskatchewan was ..	57,000,000	acres
In 1936 the total occupied improved land in Saskatchewan was	33,600,000	acres
In 1936 the total number of farms in Saskatchewan was ..	142,400	
In 1936 the average size of farms in Saskatchewan was	400	acres
Twenty years later:		
In 1956 the total occupied farm land in Saskatchewan was ..	62,800,000	acres
In 1956 the total occupied improved land in Saskatchewan was	40,500,000	acres
In 1956 the total number of farms in Saskatchewan was	103,400	
In 1956 the average size of farms in Saskatchewan was	600	acres
Eight years later:		
In 1964 the total occupied farm land in Saskatchewan was ..	64,415,518	acres
In 1964 the total improved farm land in Saskatchewan was	43,117,813	acres
In 1964 the total number of farms in Saskatchewan was	93,924	
In 1964 the average size of farms in Saskatchewan was	660 (Approx.)	acres

In this 28 year period the total acreage of improved farm land in Saskatchewan increased by 9,517,813 acres. While the number of farms in Saskatchewan decreased by 48,400 farms. The improve acreage per farm in this same period of time increased from 236 acres in 1936 to approximately 460 acres in 1964.

Among the major causes for this off the farm exodus might be listed as follows:

1. *Farm Machinery Costs*

Greatly increased costs associated with farm mechanization were not accompanied by comparable increases in farm prices. For example in 1946 the retail value of new farm machinery purchased by Saskatchewan farmers including repair parts was $34,390,000. In 1964 the retail value of new machinery and repair parts purchased went up to a record high of $135,472,905. an increase of nearly fourfold. (Source: A. M. A. Annual Report, 1965). Further substantial increases were recorded in 1965 and 1966.

In 1946 new farm machinery (excluding repair parts) purchases as a percentage of realized net farm income was 19.5 per cent whereas in 1933 this percentage rose to 26.3 per cent. (Source: A. M. A. Annual Report, 1964).

It is also of interest to note that the price of wheat to the farmer in 1946 was $1.62 per bushel. In 1964 this price was $1.60 per bushel.
(Source: Annual Report Saskatchewan Department of Agriculture).

In 1946 the per acre purchase cost of farm machinery and repair parts was less than $1.00 per acre of improved farm land in Saskatchewan. In 1964 this cost went up to approximately $3.15 per acre despite the large drop in the total number of farms. (Source: A.M.A. report 1966 and statistics branch, Saskatchewan Department of Agriculture.)

The high costs of farm mechanization together with low farm prices are the prime reasons for rural depopulation and continuing economic pressures for still larger farm holdings.

2. *Other Farm Costs*

In addition to mechanization costs, other cost inputs for a variety of goods and services required by farmers have greatly increased in numbers, volume and price. Firstly, numerous new items never previously required are now necessities such as electrical supplies, welders, electric power units, household equipment, refrigeration—and a growing assortment of tools and other supplies required under modern farm circumstances. An increased volume and number of various chemicals are now required farm cost items. The rapidly expanding use of commercial fertilizers is another rapidly growing farm cost item. Demands for better rural services consequent on mechanization (such as more costly roads, power services, inproved health and educational services) can be met only through higher income. If farmers are to share in the affluence of our economy, higher income is required to pay for the much more costly goods and the legitimate demands of modern society. Our failure to date to provide sufficient income to meet these cost demands has resulted in continuous rural depopulation. This exodus was particularly heavy among young people who often found themselves with little choice but to leave the farm regardless of the fact that many wished to farm. The great new and existing opportunities in farming which would challenge the imagination and skills of young people all too often could not compete against the economic problems involved. Many of these displaced young people would still return to farm life provided income rewards were equal to those in the non-farm sectors.

3. *Capital Investment*

In addition total farm capital investment has increased substantially. Mechanization of farms and technological change over the years have increased the importance of capital investment in relation to realized net farm income. The following figures underline this observation.

In 1941 Saskatchewan's total farm capital investment was	$ 896,000,000
In 1946 Saskatchewan's total farm capital investment was	1,230,000,000
In 1951 Saskatchewan's total farm capital investment was	1,991,000,000
In 1956 Saskatchewan's total farm capital investment was	2,131,398,000
In 1961 Saskatchewan's total farm capital investment was	2,864,359,000

(Source: Census of Canada and Saskatchewan Department of Agriculture) D.B.S. estimates show that farm capital investment values in Saskatchewan for 1965 are almost $4.5 billion.

Farm machinery investment increased rapidly since 1941.

In that year farm machinery investment was ..... $143,000,000 or 16% of total farm capital investment

In 1961 farm machinery investment was ..... $686,825,700 or 24% of total farm capital investment

The largest increase occurred between 1946 and 1951 when machinery investment more than doubled.

By 1956 land investment accounted for about 50 per cent of the Saskatchewan farmer's total capital investment with machinery accounting for roughly 26 per cent while the balance was made up of buildings and livestock.

Since 1956, investment in land and machinery has taken another great leap upward. Land values, due to adverse cost-price relationships and consequent economic pressures towards larger and larger farm units have now reached the point of no return in terms of income expectations from investment and other cost factors. It is clear that the farmer more than anything else requires higher prices and income to meet escalating costs of all his requirements.

4. *Realized Net Farm Income*

Perhaps the best way to appraise the effects of increased costs on farm income and rural depopulation would be to review long term records of realized net farm income, often referred to as "the farmer's take home pay". The following D.B.S. statistics in this regard for the years 1951-1965 are most revealing. For Saskatchewan these figures show that the combined realized net farm income for the three year period 1951-53 was higher thant the more recent three year period 1963-65. The in-between years 1954-62 on an annual basis, with the exception of 1961 and 1958 were all well below the top and bottom three year periods.

For Canada, these figures show, that for the entire period of fifteen years 1951-65, the record high year for realized net farm income was 1951. Every single year after 1951 was lower. This is conclusive evidence that high farm costs and low farm prices are the salient factors contributing to low farm income, rural depopulation and the economic pressure towards larger and bigger farms. Prices and costs are beyond the farmer's control. The only avenue of escape open

to the farmer from this type of economic determinism, as stated previously, was to either get off the farm or enlarge his holdings. Enlarged holding and better farming aids for increased production have not succeeded in offsetting increased costs for the industry as a whole.

At this point reference might well again be made to effects on Saskatchewan's rural population. The 1941 census reveals a rural population of 600,846 being 67.06% of Saskatchewan's population. The 1961 census shows a farm population of only 304,672 being 32.9% of Saskatchewan's total population. This is a reduction of nearly 50% between these census reports. From price relationships to farm costs determine the farmer's realized net income level as well as his desire or ability to stay on the farm. The above census comparisons show approximately 50% left during a period of twenty years.

5. *Farm Prices*

As evidence regarding the importance of balanced farm price-cost relationships it is apropos to note that comparing the five year periods 1945-49 and 1960-64 one finds no significant increase in the price of wheat to the Saskatchewan farmer. However, to make matters worse during all the "inbetween years" 1950,51,52,53,54,55,56,57,58,59 a period of ten years the farm price of wheat in each year was very sharply lower. In fact in 1954 the farm price of wheat reached a postwar record low of $1.21 per bushel. (Source: Annual Report, Saskatchewan Department of Agriculture). These figures also make clear the importance of balanced farm price-cost relationships to realize net farm income and rural population problems.

Even though there were many less farmers to share in the total realized net income this did not add greatly if at all to the income of farmers remaining in the industry. This can best be illustrated by referring to a cost of production table provided by the Farm Management Services of the Saskatchewan Department of Agriculture. Showing per acre costs of production records for grain farms in farm management clubs for 1965. This table shows the per acre costs for three soil zones.

It should be noted at once that the size of farms in the management clubs delineated in this table are wel above the average size farm for Saskatchewan. This table clearly indicates per acre costs well in excess of $30.00 per acre for all soil zones. Of still greater significance is the fact that the break even point would require an average yield of over 18 bushels per acre and an average farm price of $1.70 per bushel (basis No. 3 Northern). The average farm price for Saskatchewan in 1965 was $1.68 per bushel. The average yield of wheat for the ten year period 1955-64 was 19 bushels per acre and for the twenty year period 1945-64 it was 17.6 bushels per acre.

It is evident, therefore, that extremely good yields must transpire in future years to even maintain farm solvency. It is worthy of note here that the highest per acre cost is attributed to machinery being an average of over 31% for all soil zones. Machinery costs will no doubt continue to rise. The index costs of farm machinery has risen ten points in the past year. It becomes evident that more acres per farm unit is not an effective answer to the farm income problem. Mechanization of the agricultural industry by itself is not the prime cause of this situation but rather the high cost of mechanization and comparatively low prices

TABLE 1.

CEREAL GRAINS

Cost of production, Farm Management Clubs, Grain Farms, Saskatchewan by Soil Zone 1965

	Soil Zone					
	Brown		Dark Brown		Black	
Number of farms	51		44		61	
Acres of cropland per farm [a]	1,014		1,028		649	
Seeded acres per farm	550		634		432	
Yield per seeded acre of wheat on summerfallow (bu.)	27.1		22.8		21.4	
		% of Total Cost		% of Total Cost		% of Total Cost
Costs per seeded acre ($):						
Labor [b]	7.78	25.1	7.88	25.2	8.97	28.0
Machinery [c]	10.02	32.4	9.37	30.0	9.96	31.0
Custom Work	0.32	1.0	0.43	1.0	0.37	1.2
Crop expenses (less seed)	1.49	4.8	2.39	7.6	2.01	6.3
Seed [d]	2.04	6.6	2.29	7.3	2.18	6.8
Land and Bldgs. [e]	6.21	20.1	6.04	19.3	5.85	18.2
Land taxes and other	3.09	10.0	2.86	9.2	2.74	8.5
TOTAL	30.95	100.0	31.26	100.0	32.08	100.0
Total cost per bushel ($)	1.14		1.37		1.50	

SOURCE: J. L. Drew, et al, 1965 *Saskatchewan Farm Business Summary*, Farm Management Division, Sask. Dept. of Agric., Extension Report No. 10, Sept. 1966.

[a] Includes summerfallow but excludes tame hay.

[b] Hired, unpaid family and operator.

[c] Current operating costs, depreciation and interest on investment at 5%. Includes small tools and hardware supplies.

[d] Purchased and home produced.

[e] Interest on investment in land and buildings at 5%; building repairs and depreciation.

NOTE: The source cited reports grain enterprise costs per farm and per grain acre (total of summerfallow crops, stubble crops and summerfallow). The average costs per seeded acre were calculated from the average costs per farm and seeded acres (summerfallow crops and stubble crops).

Farm Organization and Efficiency Section, Economics Branch, Canada Department of Agriculture, Ottawa, November 21, 1966.

which are the major contributing factors to the continuing low farm income problem. With an eye to future improvement these facts cannot be swept blandly and optimistically under the table. If a realistic farm income improvement policy for Canadian agriculture is not soon implemented we can expect a further decline in real farm income and further depopulation of rural areas.

L. F. Kristjanson, associate professor of economics at the University of Saskatchewan recently estimated the decline in farm numbers during the next decade would range from 20 to 33 percent and that there will also be substantial declines in the populations of many smaller rural centres and hamlets. Most everyone agrees if this trend continues it will create still greater social problems and costs to all levels of government. Local governments and associated business communities cannot afford further loss of population because of inadequate farm income.

The resulting adverse social consequences to the family farm and rural community life generally would create an intolerable situation. The matter of finding alternative employment for unskilled workers already presents real difficulties. In light of future displacement of labour in the non-farm sector due to still more advanced production techniques and in view of demands for more food to meet growing world needs we will no doubt be compelled to look to the farm sector to provide more rather than less employment opportunities.

It can be, therefore, stated beyond contradiction that all past measures taken or proposed to improve farm income and correct past and present trends have proven to be ineffective. This has transpired not because of a lack of initiative by various farm organizations who, over the years, have vigorously protested and advanced numerous remedial proposals to governments, both federal and provincial, regarding many aspects of the farm problems. Governments it is true have made some efforts to correct some of the more immediate problems brought to their attention from time to time. However, on balance we must admit failure in dealing adequately with the problem in total. To review in detail the many proposals proffered by farm organizations and action taken regarding certain isolated aspects and deficiencies of the agricultural industry would be like repeating a long litany of events so well documented over the long history of past experience that no monotonous repetition is necessary. Besides it would only be an exercise in frustration and futility to do so.

I think it can be simply stated that we have been attempting to deal with the central problem of low farm income on an improvised piecemeal basis. That is, we have too often dealt with each immediate problem confronting us in isolation from other associated problems. We have not to date treated the ills of agriculture as an inseparable whole. In addition for a proper solution the major problem of low income within the agricultural industry in terms of realistic corrective policies must also be associated with low income problems and underemployment which affect the entire economy. A comprehensive approach is now a vital necessity.

I would therefore submit in all humility and as a result of my many years of first hand experience as a farmer and minister of the Crown, the following proposal for a comprehensive farm income and marketing policy for Canadian agriculture.

I believe that no industry can long exist and prosper in an atmosphere where there is a waste of essential human and natural resources and where income levels are dependent upon the success in achieving a curtailment of production or an "artificial scarcity" rather than in rewarding productive labour. The progressively narrowing margin, between the prices received and prices paid by farmers; the so-called "cost-price" squeeze is but an outward manifestation or symptom of the deep-rooted farm problems. Agriculture is unique among business in its practice of producing at full capacity the year round and selling that quantity for whatever it will bring on the open market. We are fortunate indeed that agricultural technology has given Canada the unique ability to produce food abundantly in excess of our domestic needs. This ability should ordinarily be regarded as one of our greatest national assets; instead it is treated as a liability with the Canadian farmer's own increasing efficiency threatening the future economic welfare of the farm family.

We can not justify two contradictory economic concepts, one for the non farm sector which strongly advocates greater resource development and ever increased production as the prime element necessary to better income and continued progress; and the other for the farm sector which in effect is based on alternating decreased production and scarcity as a means of improving price and income. The latter is not only contradictory to the farmer but is wrong on every count. The facts are in both cases it is necessary to produce more and more if we are to progress and improve income generally.

The Canadian farmer has been particularly hard hit by inflation in the post-war period. Hundreds of thousands of widely-separated individual farm production units have made it impossible for farmers to price their products in any relationship whatever to rising farm costs of production whereas the market power of large-scale industry such as steel, petroleum and the automotive industry, has enabled those groups to pass along rising costs to their customers, of whom the farmer is one of the most important. Any national farm policies which have been offered to the farmer to date have tended to limit drastically the amount of farm products to be sold and has tended to put a very low ceiling on the price that farmers are able to receive as producers, while at the same time doing nothing to keep down farm costs. Such policies have made the attainment of a realistically fair share of the national income for farmers little more than a pious hope. Moreover, failure of national policies to attain a high rate of national income and employment has tended to limit the urban market for our farm produce, and has further aggravated farm problems.

It is my conviction that the chronically low and inadequate incomes carned by farm families has restricted the Canadian market for non-farm goods and services and thus has placed a brake on national economic growth. By whatever standards one cares to employ, the farmers have not been receiving the economic rewards they so justly deserve for their ability and economic productivity. Instead of reaping the benefits of producing food in abundance to meet human wants, there has been a steady and continuous decline in farm incomes so that the incomes of farm families in Canada today are lower relative to the rest of our population than they have been since the 1930's.

There is little doubt that the family farm or farm family in Canada is a socially and economically desirable basic unit of production and, as such, has attained a pinnacle of success in the production of an abundance of food which has been made available to Canadian consumers at a lower cost in relation to disposable personal income than at any time before in Canadian history. We believe that there has not been a proper recognition in the past of the fact that by providing food at lower real cost than in any comparable modern nation in the world, the Canadian farmer has in fact been subsidizing the Canadian consumer rather than the other way around.

I am of the opinion that our economic thinking on farm policy has lagged far behind our technological advances in this sector of the economy. We firmly believe that the traditional pre-occupation with "surpluses" of food is morally and economically indefensible when each night half or more of the human family go to bed malnourished, and gnawing hunger remains as one of the main causes of war among nations. Scarcely a decade has passed in modern history where a major famine has not existed somewhere in the world. Given the

growing food requirements of a rapidly expanding population, I firmly believe the time has come to recognize once and for all that the promotion of economic and price stability in Canadian agriculture should be at the highest and not the lowest possible level of physical production. It is plain logic that fixed farm costs require fixed farm prices in proper relationship to costs. The only agency that has the resources and fiscal authority to achieve this objective is our national government.

I feel that as a basic tenet or principle that the Canadian consumer of food either directly through prices or indirectly through fiscal policy has an obligation to ensure a thriving and healthy farm economy. As a very minimum the agricultural industry has a right to expect in return for its abundance of production and in return for its increased efficiency, that the returns to agriculture will cover all basic costs of production and will maintain the farmer and his family on a standard of living comparable with the rest of the economy. To argue that an efficient farm industry deserves less than an amount required to cover all operating costs, costs of local government services, and farm family living costs would be to maintain that in our contemporary Canadian democratic society, the farmers should be permanently relegated to the role of a second class citizen from the economic standpoint.

It should be self-evident that a realistic national farm policy is the best interest of all Canadians. The destruction of the family farm which a continuation of present farm policies is almost sure of accomplishing, would only give rise to corporation farming, controlled by outside capital, who would ensure "profits" by curtailing production and would put an economic squeeze on the consumer of food. Then, too, the accelerating exodus of farmers into urban centres in search of employment would aggravate the problems of providing full employment and it would be economic folly to replace an underemployed or underpaid farm worker by an unemployed urban worker whose lack of training would be a continual handicap. Therefore, economic self-interest if nothing else should dictate national farm policies designed to promote a stable, prosperous and expanding farm economy.

Thus the new approach to a national farm policy must be bold and realistic. It must clearly and unequivocally set out desirable objectives and goals which it is committed to attain. Therefore, the following is a proposed, comprehensive agricultural marketing and farm income policy for consideration as a solution to chronic economic and social problems confronting this important segment of the Canadian economy.

It has been conclusively proven that farm *income* policies proposed or implemented to date in Canada, or elsewhere, have all fallen far short of maintaining farm *income* in proper relationship to increasing farm costs. Mechanization in agriculture, automation in industry, and other factors existing in our present economic and social environment, urgently demand a solution without further equivocation. No policy to date has come anywhere near providing our farm people with their fair share of the national income. We can no longer tolerate the circumstances of chronically-depressed conditions, which have prevailed in our agricultural industry over the past years. A piecemeal approach to the farm problem has not only proven to be ineffective, but has demoralized this important segment of our population.

It is therefore necessary to adopt a bold and realistic overall marketing and farm income policy to meet the economic crisis facing the people in this industry—particularly, in light of the completely changed economic and social environment affecting contemporary agriculture.

The basic principles of such a farm policy are:

(a) It must deal with the total problem of *farm income* on a one package approach basis.

(b) It must accept the obvious fact that the industry as a whole, regardless of crop failures, must receive year in and year out sufficient income to meet all farm operating costs, including costs of local government services, and the costs of all other goods and services required by the people gainfully employed in this industry to maintain relative standards of living.

(c) It is now a well-established fact that the farm problem is directly related to other economic and social problems facing the Canadian economy and, therefore, cannot be treated separately and in isolation as just a farm problem. It must be related to the total problem facing the Canadian economy.

Therefore the policy adopted must be part of a well-planned national programme directed towards a solution to the growing problem of unemployment occasioned by automation and other factors in industry, as well as the mechanization and the costprice squeeze in agriculture.

(d) The policy must have desirable social objectives:

— to encourage a desirable pattern of rural settlement;

— to provide optimum employment opportunity within the industry.

(e) The policy must be based on the principle of properly rewarding people for producing desirable food commodities and not retarding production either by downward price manipulation or piecemeal deficiency payment on an acreage basis, or otherwise.

The food surplus bogey can no longer be justified as a prime excuse to drastically restrict farm production and income.

(f) In the expert field there must be an associated national policy of long-term credit to under-developed nations for the purchase of Canadian foodstuffs.

This is a vital part of a sound marketing and farm income policy. It is not enough to await action in this regard through the U.N. Canada, as a surplus food-producing nation, can and must lead the way by proceeding alone if necessary in the interest of her own economic survival, as well as the survival of hungry people in under-developed lands. The recent food deal with China proves conclusively that great effective markets for Canada's comparatively small food surpluses can be made readily available by decisive action in providing long-term credit.

Method of Policy Application

1. It is first necessary to establish, as near as possible, the total annual costs of the Canadian agriculture industry as a whole, including operating expenses, taxes, rent, farm machinery, fertilizers, weed and insect control chemicals, seed and other supplies, depreciation on buildings, machinery, etc., interest on capital invested, labour costs, and value of inventory change, etc.

The total burden of costs the industry as a whole is expected to carry can be quite accurately established on the basis of existing statistical information. (*See appendix for illustrations using Saskatchewan agriculture.*)

Once this figure is arrived at no one can justifiably argue that the industry is not entitled to sufficient income to meet the total cost figure established. Any less income would certainly constitute continued evasion of the simple fact that no industry can survive on continued deficits year after year. These facts must be accepted by assuring the farmers of Canada that under such an agricultural policy no Canadian farmer will ever again experience the drastic fluctuations in price and shortage of income that has plagued this industry for generations.

2. The second step is to place the industry on a self-sustaining basis by providing sufficient income to meet its total costs. Obviously, the price technique must be used to this end because this is the only sound method of measuring and recording farm labour output. It also accepts the basis principle that *parity* income to farmers must be based on useful and productive labour to produce food commodities and thus contribute to the gross national product to make this economically possible. Implementation of this principle is necessary because existing income support payments by the Federal Treasury constitute a social liability charged against the rest of the economy without a corresponding contribution to the gross national product. Examples of this are the deficiency acreage payments made in Canada, and the socalled "soil bank payments" made in the U.S. These payments are not made to reward productive wealth, but are made to restrict production and provide minimum income without equivalent production. Expenditures on this basis, therefore, constitute a tax revenue liability. Paying people for producing goods and services adds to the gross national product and, as such, does not constitute a tax debt liability—even though such scheme is bolstered by the national treasury in terms of consumer food subsidies. It is a part of planned fiscal investment for full employment and economic stability for the entire Canadian economy.

3. Prices established must be based on long-term average yields for field crops, including fruits and vegetables, in order to provide sufficient income to farmers, pricewise, to permit suitable deductions at time of marketing to establish an *income* insurance fund against years of crop failures and other factors beyond the farmer's control that adversely affect farm family *income*.

4. Prices for livestock, dairy and poultry products should be based on prevailing production costs and current levels of production, and maintained in proper relationship to feed grain prices—in the interest of encouraging a balanced farm production programme.

5. Appropriate price differentials should be established in relation to grade quality for all farm products to encourage the production of high quality food commodities—much the same as presently prevails for grain under the Board of Grain Commissioners and prices established for wheat under the Wheat Board marketing system. Similar price differentials could be established for other farm products on the basis of grade quality. This is presently an accepted principle, even though improperly applied; however, appropriate price spreads based on grade should be maintained more steadily on a fixed relative price basis than the unjustified existing trade practices of abrupt and wide fluctuation often on a

day-to-day basis without regard to farm production costs or long-term supply prospects.

A degree of price variation to discourage production of poor grade products and encourage better quality products has justification, but price manipulation as a means of discouraging total production, as presently exists at the expense of farm income (law of supply and demand) has proven to be completely ineffective as a means of controlling surplus farm production, and has more than any other factor created injustice, hardship and distress in the agricultural industry.

Planned production goals by other means can be more effectively achieved without punishing the farmer by downward price manipulation. A successful degree of wartime planned production proved this can better be accomplished by rationally planning production in relation to effective market demand.

6. The price technique based on long-term average yields referred to in No.2, is the most practical method to equitably measure and record the productive effort of each to provide sufficient income to individual farmers, large and small alike. This would permit the establishment of an income stabilization fund to provide at least minimum income protection based on family farm needs against loss of income due to natural hazards or other factors beyond the farmer's control.

It is not, of course, enough to merely pay out money, pricewise, on the above basis to the industry as a whole to meet total costs. (Parity prices.) Income protection must be provided against loss of income due to climatic and other uncontrollable hazards as well.

It must be borne in mind that farm *income* stabilization is the *prime objective*. The price technique, as previously mentioned, is merely a method to this end.

It will therefore be necessary to institute a system of appropriate deductions based on the quantity and value of produce marketed by each individual farmer to establish such a fund. Allowance for this factor has been made in this proposal, pricewise, because prices for field crops are based on long-term average yields. No one would therefore be penalized, as is presently the case with deductions for P.F.A.A. The farmer who operates under favourable climatic circumstances and who produces above long-term average yields would certainly not be penalized. In addition, larger farmers, because of lower costs of production, could be expected to contribute more to such a fund, percentagewise. (This principle is well-accepted in the Income Tax field.) Such a system would not only provide a fund for an equitable redistribution of income within the industry in accord with minimum family farmer needs but would also discourage and restrict present economic pressures (cost-price squeeze) towards continuous and undesirable enlargement of farm units and unnecessary rural depopulation.

7. In summary, such a plan—

(a) realistically accepts the farm situation as it presently exists. It will therefore be more acceptable than any other plan.

(b) accepts the principle of equitably rewarding people for productive work.

(c) incorporates minimum *income insurance* (not just crop insurance) as an integral part of the marketing and farm income programme.

(d) will cause minimum disturbance to existing processing and marketing services, with the one exception that the government assumes responsibility for pricing since this important aspect can no longer be left to orthodox trade practices under conditions confronting modern day agriculture.

The Wheat Board system of marketing is a good pattern and example towards this approach. Other services rendered by the trade need not be disturbed, such as legitimate handling, processing, merchandising, etc. These services should, however, still be directed towards co-operative endeavour and/or marketing boards.

(e) it will be necessary for such marketing agency to exercise a measure of control over marketing, processing and merchandising costs to protect the consumer against unwarranted farmer-to-comsumer price spreads and unjustifiably high consumer food prices.

Existing Milk Control Boards throughout Canada in this regard are so well established and accepted by farmers, the trade and consumers, that no one would want them done away with. Another well-accepted agency is the Board of Transport Commissioners, and other agencies who control rates and tariffs in the field of transportation. The principle is not new —especially where public subsidies are involved.

This approach to the farm problem was recommended, in principle, by the Special Select Committee of the Saskatchewan Legislature in the year 1956.

One very important factor remains. Who is to pay what will obviously be increased costs for food commodities? First of all, no one can argue that the farmer is not entitled to income reasonable commensurate with the industry's total costs. However, it is generally recognized that the burden of increased food costs should not fall on the individual farmer or consumer entirely—particularly, low income consumer groups. It therefore follows that the National Treasury could justifiably provide export subsidies when necessary and, more particularly, domestic consumer subsidies at a price level reasonably within reach of low income groups. This is already being done to a degree under the Family Allowance scheme and the Unemployment Insurance scheme. It is done in the U.K. In addition, export subsidies should be an acceptable proposal because Canadian agriculture now produces in a tariff-protected market and sells in an unprotected market. All of these steps would be in the interest of encouraging effective markets, both at home and abroad, for Canada's potential agricultural production.

As mentioned previously, this expenditure would not represent a tax debt liability because people are being paid for productive endeavour, all of which increases the gross national product and a means of substantial recovery to the Federal Treasury is available by way of increased tax collections by the Federal Government from the various tax fields at its disposal. This approach to the farm income problem would also provide a stable source of tax revenue for provincial and local government services. Furthermore, it is well known that in order to provide new employment opportunities it is necessary to appropriately increase the gross national product each year. Agriculture's contribution to

the gross national product should therefore be measured by the same standard of values as applied to other products and services in Canada's economy. Such a plan would therefore provide great new employment opportunities within the agricultural industry itself and in other sectors of the national economy as well.

The disastrous crop failure on the prairies in 1961 points up the need for an integrated marketing and farm income policy that will provide complete income protection in a comprehensive "one package" programme. Objection might be taken to the fact that no base period as the starting point is utilized in the above-outlined policy. A base period as a starting point is not sound as a practical method to establish farm prices in relationship to current total farm costs. Current farm prices should be determined on the basis of the industry's current costs, after which prices in the future can be revised annually, as required, by changes in farm cost index figures.

Certainly, a great deal more detailed thought must be given to alternative methods of gearing production as nearly as possible to actual market demand at home and abroad other than by the present ineffective and socially harmful method of making the farmer pay the whole shot by depressing farm prices to ruinous levels and driving him off the farm to be unemployed elsewhere. Much more thought must also be given to the most practical method of income transfer payments within the industry in terms of family farm needs. I am aware this approach to the farm problem is new and bold, but is there any practical alternative? Let's at least do some constructive thinking on it.

It is true, no scheme can be expected to achieve exact parity farm income to the industry as a whole or a completely equitable method of redistributing of that income to individual farmers within the industry. It will, however, provide a degree of income assurance to farmers, large and small, never before attained under any other proposal. It will place agriculture on a respectable self-sustaining basis. It will replace entirely the present concept in the public mind that agriculture is the recipient of periodic unnecessary handouts at the expense of the taxpayer. It will restore economic and social good health to an ailing segment of our Canadian economy.

In summary, the following basic guidelines are suggested for a comprehensive marketing and farm income policy for Canadian agriculture:

(a) that farm income support policies be based on the principle of rewarding farmers for productive labour;

(b) that total farm income for the agricultural industry as a whole be maintained in relationship to the industry's total farm cost;

(c) that prices for all farm products be established and maintained at appropriate levels to achieve the above objective and to firmly establish the industry on a self-sustaining basis, and to thus provide Canadian farmers with sufficient income to meet total farm operation costs, including costs of goods and services required by farmers to maintain rural living standards on a par with urban living standards;

(d) that such established prices be based on long-term average yields for all field crops, and that prices for livestock, dairy and poultry products be maintained in equitable relationship to feed grain prices;

(e) that provision be made in such policy for a graduated system of marketing deductions related to quantity and value of individual farm marketings to establish an income stabilization fund to permit a redistribution of income within the industry based on family farm needs and to also provide assured income protection against loss of income due to natural factors beyond the farmer's control.

SUB-APPENDIX

BALANCE SHEET STATEMENT FOR SASKATCHEWAN AGRICULTURE

1963-1965

Assuming that all commercial farm units in the province were incorporated into a single unit and as such kept proper accounting records. Assume also that this corporation is entitled to a rate of return of 5 per cent of the capital invested. Finally that labor costs would have to be paid before the net earnings of the farm was arrived at, and that such cost would be on the basis of an imputed annual "wage" of $3,600 to the farm operator and his family for operating their portion of the farm enterprise. The data are based on official D.B.S. statistics unless otherwise stated. (Note field crop production in Saskatchewan 1963, 1964 and 1965 was *continually above* the long term norm.)

INCOME AND EXPENDITURE STATEMENT, SASKATCHEWAN AGRICULTURE 1963-65
(millions of dollars)

	1963	1964	1965	Av. 1963-65
INCOME				
1. Gross sales, C.W.B. payments and P.F.A.A. payments or total farm cash income	698	838	886	807
2. Income in kind (value of farm produce consumed on the farm)	58	64	73	65
3. Value — Inventory Change (grain and livestock, etc.)	226	−114	49	54
Loss Income (1+2+3)	982	788	1,008	926
EXPENDITURE				
1. Total operating expenses and depreciation charges (taxes, rent, farm machinery, fertilizer, seed, plus depreciation expenses of buildings and machinery.)	441	449	481	457
2. Interest at 5% on total capital invested basis: D.B.S. estimates of farm capital —1963—3,429,286,000 —1964—3,899,341,000 —1965—4,489,730,000	171	195	224	197
3. Labor cost (based on 90,000 farm operators and their families $3,600)	324	324	324	324
4. Total Expenditures (1+2+3)	936	968	1,029	978
SURPLUS OR DEFICIT	+46	−180	−21	−52

NOTE: No allowance has been made for contributions to pension schemes, sickness and accident insurance, crop insurance, etc.

APPENDIX VIII

SUBMISSION

on behalf of CCF Members of
the Saskatchewan Legislature

by

J. H. Brockelbank, M.L.A., Kelsey
E. Kramer, M.L.A., The Battlefords

on

"Forestry in Saskatchewan"

to the

HOUSE OF COMMONS COMMITTEE ON AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Regina, Saskatchewan,
February 8, 1967.

Mr. Chairman:

We wish to express to your committee our thanks and appreciation for the privilege of making representations to you concerning the forests of Saskatchewan. At the same time we must say we are sorry you can only take one day in our province.

Saskatchewan has, like most other provinces, a great variety of terrain and resources. In the southwest we have the great open plains in the midst of which are the forests of the Cypress Hills. The park belt is from 150 to 250 miles wide extending from southeast to northwest. North of this is our forest belt. The most southern 100 to 150 miles of this belt contains most of our forests which have commercial importance at this time.

Our forests grow in a relatively dry climate. In much of the forest area the average annual precipitation is less than 15 inches. The fact that the average annual temperature of most of our forest area is below 32° makes it possible for forests to exist with such a small amount of moisture. Growth of our forests is not fast and the fire hazard is high because of the dry climate.

History

These forests were turned over to Canada by the Hudson's Bay Company in 1869. The first Dominion Lands Act which made provision for the disposition of timber was passed in 1872. The first forest reserve was created in the area in 1894 but no further reserves were set up until 1905.

Although the Province of Saskatchewan was established in 1905 it was a quarter of a century later before the Government of Canada gave to the province its lands, minerals and forests. In the depression and drought of the 1930's our forests suffered further from neglect and fires.

During World War II the chief idea affecting our forests was to produce large quantities of material for the war effort. At the end of the war a Royal Commission was established to look into the whole question of forests.

Following a recommendation of that Royal Commission Saskatchewan started making an inventory of our forests in 1947. In 1951 the Government of Canada made agreements for a term of five years with a number of other provinces as well as ours providing for sharing equally the costs of completing the forest inventory. In 1956 another fiver year agreement was signed providing for sharing costs on the same basis of certain inventory projects, growth studies and maintenance of the inventory.

The Roads to Resources program jointly financed by the province and Canada started about 1958 and continued for about 7 years. Approximately $15 million was the total expenditure under the program. As a consequence some hundreds of miles of good all-weather roads were built in areas which otherwise would have been left without road access. It was a good program and we were sorry to see it terminated.

Other agreements were made covering forest access roads, forest protection or fire prevention, forest stand improvements, new forest nurseries, reforestation and the maintenance of the forest inventory. These agreements will terminate March 31, 1967 and it is stated they will not be renewed. In the 16 years covering the terms of these various agreements I believe the total contribution made by the federal government was in the neighbourhood of $12 million. This included the Roads to Resources Program. This was not a large amount of money but I believe these programs did a great deal of very good work. I certainly regret to see them discontinued.

Utilization and Depletion

The use made of Saskatchewan forests in the nineteenth century had little effect. However, periodic fires burned over large areas from time to time so that when the first commercial production took place about the turn of the century not nearly all of our forest area was occupied by mature forests.

But there were large areas of choice, mature virgin white spruce which became very attractive to the forest entrepreneurs of Canada. Production of white spruce saw timber boomed, reaching a peak of 160 million board feet in 1912. Ten years later a low point in production—just over 10 million board feet was attained. This was followed by an irregular increase with production at the beginning of World War II reaching about 40 million board feet. During the war production soared to over 160 million board feet.

Saskatchewan's commercial forest area of about 38,000 square miles, half of which is "production forest" ten years ago contained just over 3 billion board feet of white spruce saw timber. A very large part of production has been of this class of material with the result that depletion of white spruce has exceeded growth.

On the other hand we have over 2.8 billion cubic feet of black spruce, jack pine and balsam fir which are suitable for pulpwood but production is such that these materials grow about four times as fast as they are depleted. The first pulp mill for Saskatchewan is now under construction and is expected to commence

operation in 1968. This will to some extent improve the utilization of pulpwood species.

Our principal hardwood, white poplar, grows rapidly and over much of our forest area. It is estimated there are over 3 billion cubic feet of it. At present a small amount of lumber is made from poplar. A few years ago two small mills were making poplar plywood but both have discontinued. The principal commercial use of poplar now is in a wafer board plant in north-eastern Saskatchewan. Like most other provinces we have great quantities of white poplar.

Protection and Management

Until after World War II there was not much available in the way of equipment to fight forest fires. Much of the battle against fire was hand work with shovels, buckets or hand pumps.

About 1945 the "Smoke-Jumpers" came into operation in Saskatchewan. They are trained fire fighters who get to the newly started fire quickly by aeroplane and parachute. Aeroplanes came into common use for fire detection patrols to supplement the observation towers.

The Department of Natural Resources established a construction branch which, among other things, built roads, made fireguards and put in dams. A great advantage of this program was that it made available when necessary heavy earth-moving equipment for fighting fires. More recently helicopters have been used for transportation of fire fighters and supplies and aeroplanes have been equipped with water tanks so they can water-bomb fires.

Even though our forests are relatively small when compared with some other provinces the cost of fire control and suppression has been an important item. Suppression, that is actual fire fighting seldom costs less than $200,000 in a year and has been as high as over $1.5 million in 1961 and in 1964 was over $1.2 million. The control item which is the cost of detecting, preventing and being ready to fight fires—but not the actual fire fighting—amounts to a substantial sum but I cannot segregate it exactly. It would likely be more than a quarter of a million dollars annually.

The Government of Saskatchewan has consistently spent a great deal more on our renewable resources than has been collected in revenue from them.

Saskatchewan's forests are not as extensive as in some other provinces. The dry climate is a disadvantage and a hazard but the great part of the land in forests will be of no use for agriculture. Growth in our forests is slow—the rotation cycle for white spruce is estimated to be 110 to 120 years and for black spruce 100 years.

If our renewable resources are properly used and cared for they will be of more value to the people of Canada at the end of our second century than they are now.

It is almost impossible for a local government and not easy for a provincial government to make investments which will not bring returns for 50 or probably 100 years. But protection and good management of our forests will not bring quicker returns. Canada has the greatest interest in the resources of the future for it is recognized that the Government of Canada has the prime responsibility for the general economy of the country.

We do appreciate the sharing of costs of good programs by the federal government such as the inventory, re-forestation, forest access roads, fire control and others. We think those were good programs and we regret they have been discontinued. We also appreciate the good work done by the federal government in the field of technical research concerning our forests and we are glad this is not to be discontinued.

Indirect Benefits

In the preceding paragraphs we have dealt with forestry and the direct benefits accruing from it, and naturally, the costs of maintaining and protecting them. We must further consider what can be called by-products from the forests—game, fur, fish and tourism, all of which would be seriously affected if we did not have abundant, well protected, forest areas to shelter, house and maintain our fur and game animals, and conserve water for our streams, rivers and numerous lakes.

It further follows that the attraction of forest growth is an important feature in making any area more eye-pleasing and attractive to visitors to our lakes and resorts, as well as the sportsmen who range the entire forest area.

It is obvious that there is a direct revenue accruing to our province from these sources. Sport fishing licenses have brought in revenue ranging from $245,929 to $272,813 over the past seven years. Commercial fishing and fur farm licenses have similarly ranged between $28,259 and $32,994 during the same period. Hunting licenses have been more productive, totalling from $607,277 to $744,656 during that seven year period.

Indirect benefits cannot be accurately measured, however it is obvious that both provincial and federal governments benefit financially from the money spent by tourists and sportsmen in this country, whether they live here or come from other countries. We will not attempt here to place a figure value on the returns, but suggest that they are considerable, and the future potential even greater.

We deem it proper at this point to repeat that the "Roads to Resources" program was of tremendous benefit to the sport and tourist industry in our northland, coupled with the thousands of miles built by the province during the past two decades.

Pollution

While emphasis is constantly being placed on benefits from industrial development, we must remember that the dangerous by-product of industrial development is often water pollution. The Federal Government must maintain a militant stand, and we believe introduce new laws preventing pollution of interprovincial streams and rivers so that we do not find ourselves in the unhappy position of industrialized areas in the older parts of Canada, and the impossible situation of our neighbor to the south, where health authorities admit that most of the streams and rivers of the United States have become the cess-polls of America.

Conclusion

We urge your committee, Mr. Chairman, to consider the reinstatement of shared programs designed to protect and improve our renewable resources in

Canada. Such programs would be effective incentives to the provinces to invest more in the long term future of Canada.

We would also suggest that the Government of Canada might adopt a policy which would share the costs of fire suppression when those costs exceeded some agreed amount.

Mr. Chairman, we would like to thank your colleagues and yourself, for affording us the privilege of presenting this brief to you. We trust that you will give it your serious and sympathetic consideration.

John H. Brockelbank,
M.L.A. for Kelsey

Eiling Kramer,
M.L.A. for The Battlefords

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Supplementary Comments by E. Kramer, MLA

SUBMISSION

to the

HOUSE OF COMMONS COMMITTEE ON AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Regina, Saskatchewan,
February 8, 1967.

The statements made by the Saskatchewan Royal Commission on Forestry (1947) relating to a national responsibility for forest stands and forest production are essentially unchanged. Data require up-dating.

It is undesirable to suggest a federal role in forest management. This must remain the responsibility of the provinces.

There is still a need for federal assistance and I believe justifiably so, in the areas of:

(1) original inventory (inventory maintenance should be provincial responsibility) and forest land capability.

(2) acquisition and afforestation or reforestation of sub-marginal and marginal agricultural lands.

(3) fire suppression during "extreme" forest fire seasons. (Assistance to be provided in form of support and water bombing aircraft, use of military personnel and cost sharing.)

(4) disease and insect control for major outbreaks.

(5) research—all phases of forest research including, and with special emphasis on forest products development. Of particular concern to Saskatchewan is the development of additional utilization of aspen.

(6) wood-lot development—i.e. extension forestry

(7) training programs for woods and mill operations.

Basically, it is not desirable to promote individual resource oriented federal-provincial cost sharing agreements. These have the effect of directing attention and funds to a single resource problem rather than to the total complex of resource oriented problems. This suggests a regional or area approach to resource development. Many of the forestry problems may be attacked through the present ARDA program. A broadening of the intent and scope of ARDA would be more desirable than entering into another Forestry Agreement.

Items (3) and (4) above, normally are considered provincial responsibility. During crisis situations federal assistance is essential since in a crisis situation the province will be considered at the limit of its capability to handle the problem. It then becomes of national concern and federal participation justifiable.

Item (5) is properly a national concern, is now being done but requires additional inputs in most problem areas.

APPENDIX IX

Submission

to the

House of Commons Committee on Agriculture, Forestry

and Rural Development

by the National Farmers Union

Regina, Saskatchewan, February 8, 1967.

Submission

to the

The National Farmers Union welcomes the decision of this Committee to hold regional hearings on agriculture outside of the nation's capitol. In reviewing your itinerary, we note that it is one designed to familiarize yourselves with a major sector of the agricultural economy, the complex and often perplexing grain industry. Your Committee is in the process of examining the grain marketing system and facilities related to grain marketing, grain handling facilties both country elevator and terminal, and the area of transportation, all of which relate to the process by which grain moves from the producer to the ultimate consumer.

Background of Farm Movement

Before dealing with matters of common concern relative to grain and other Canadian agricultural matters, we believe for the information of those members of this Committee residing outside of the prairie region it would be an appropriate time to relate in greater detail than usual some of the pertinent facts about the provincial farm unions affiliated with the National Farmers Union and of the Saskatchewan Farmers Union in particular.

As you may know, our movement represents some 75,000 farm families in Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. Each provincial farm union operates autonomously. All provincial farm union organizations are based on the payment by farmers of a voluntary annual membership.

In the province of Saskatchewan, the name of the voluntary organization has changed a number of times since the late Honourable W. R. Motherwell originated the farm union movement at Indian Head in 1901. Since that time it has continually carried on as a direct-membership organization whose function is that of education and protection.

In 1901, farmers organized because railways held a monopoly on transportation for grain and as a result of this monopoly, offered monopoly control to grain companies for the purpose of doing business with grain producers. At that point in time, farmers could not secure boxcars for the purpose of transporting grain out of the area. Through a court case which is famous and well known in this country as The Sintaluta Trial, farmers of western Canada secured the right to the use of the Car Order Book.

Following this, farmers entered into their first commercial activity, when they established the Grain Growers Grain Company in 1906 (now the United Grain Growers). After much difficulty with the Winnipeg Grain Exchange over procuring a seat on the Exchange, the fledgling company began its operations of marketing grain for farmers on a consignment basis.

However, problems continued, and following the recommendations of a Royal Commission in 1910 which investigated the grain trade, a co-operative elevator system was organized in 1911.

In 1910, mass western farm protest demonstration in Ottawa demanded free trade or "reciprocity" with the United States. Out of this, in 1912, came the establishment of the Board of Grain Commissioners whose task it is to administer the Canada Grain Act in the interests of the grain producer.

Earlier today you visited an elevator of the Saskatchewan Wheat Pool. The organization of the present day Saskatchewan Wheat Pool in 1924 was initiated by the Farmers' Union of Canada, a breakaway group of the Saskatchewan Grain Growers Association. The Saskatchewan and Alberta pools were organized following the actions of the Farmers' Union of Canada to bring in the famous American co-operator, Aaron Sapiro. They were originally intended as a grain marketing agency. However, the beginning of the Great Depression in 1929 shattered this dream after only short-lived success, and farm pressure in western Canada increased for the reinstatement by government of the Canadian Wheat Board.

The Saskatchewan Grain Growers Association, through its SGGA locals, had, in 1912, engaged in the bulk purchase of farm supplies including such commodities as binder twine, coal, kerosene, fenceposts and flour.

In 1928, the trading arm of what had become the United Farmers of Canada (following amalgamation of the Farmers Union of Canada and the Saskatchewan Grain Growers Association) was separated from the directmembership organization. The trading department became part of the Saskatchewan Co-operative Wholesale Society which is today known as Federated Co-operatives Limited, operating in the three prairie provinces and British Columbia, with one outlet in Western Ontario.

In 1944, the organizations now known as the Farmers' Union of Alberta and the Saskatchewan Farmers Union formed the Interprovincial Farm Union Council. The organization of farmers' unions took place in Manitoba in 1950 and in Ontario and British Columbia in 1951, at which time they also became members of the Interprovincial Farm Union Council. In 1960, the name of the Interprovincial Farm Union Council was changed to the National Farmers Union.

At the same time, as the farmers' movement has been engaged in developing commercial enterprise, farm union members insist upon separating the commercial functions from the functions of education and development.

While this resume of farm union history has, of necessity, been brief, we trust it will assist you in understanding better the basic role which our type of farm organization fulfils. The farm unions have no political axe to grind and no vested commercial interests. We exist for one reason alone; to be the farmer's educational and protective association.

In recent years farmers have heard a good deal about and been lectured to at great length by experts on the virtues of farm efficiency. These experts include not only those from the universities and government, but from commercial organizations, including those from the farmers' own co-operatives.

We have no quarrel with improved production efficiency. We have no quarrel with improved market efficiency. We have no quarrel with increased distribution efficiency. The quarrel we do have is with those who continually emphasize improved farm efficiency without looking elsewhere for improvements. We believe other areas for improved efficiencies also exist.

What about efficiencies of marketing? What about efficiencies in grain handling? What about efficiencies in storing and transportation? Efficiencies in grain handling both in the country elevator system and at the terminal? Efficiencies in transportation in terms of the kind of technology that railways are using? Efficiencies in the terminal system in terms of the kind of technology that is available for loading large ocean-going vessels? Efficiencies in terms of the distribution of farm supplies and the handling of livestock?

There used to be an old saying in the country which said: "All the farmer needs to know is the way to town and the businessman will look after him after that."

Grain Handling, Marketing and Transportation

In light of your various activities this week, it might be appropriate to review some of the quickly descending problems on the farm front as we see them, in terms of the present overall grain handling and marketing situation as it presently affects producers and the nature of possible future trends.

There has been a tremendous increase in farm capitalization in prairie agriculture. Mechanization over the past twenty years has replaced much farm labor. Prairie grains in general and wheat in particular are sold on the world market at world market prices and for this reason the prairie grain producer's ability to remain in business is geared to his productive ability, his ability to acquire larger amounts of input capital and a price for his product sufficiently remunerative to remain in production. He must be as efficient as every other foreign producer and sometimes meet the competition of foreign subsidized production. In short, agriculture generally is on an economic treadmill which extracts growing demands on the farmer's ability to adapt and compete.

Much of the pressure for expanding farm efficiency and production originates with government and industry. For example, government sponsored plant research produces better varieties of cereal grains. Through research, plant diseases are being contained and yield gains improved through the use of

insecticides and herbicides. Government credit programs have hastened the mechanization of grain production and accelerated the trend toward larger farm units.

The growing use of fertilizer is adding to the potential production factor of the farmer, as are improved methods of cultivation and tillage and the development of more efficient and sophisticated farm machines.

The farmer, to remain abreast of these changing trends and developments, increases and expands his production inputs. As his input costs per acre rise, his need for a good crop every year also rises.

We need not remind this Committee of the thousands of farmers who are not able to maintain the pace set by economic pressures for greater levels of efficiency. Many of these are in a transitional stage of production and may live in a culture of rural poverty or near-poverty. Of these, some are in the middle-age bracket, and the outlook for their retirement years will be closely tied to the potential retirement fund they may eventually acquire from the sale of inadequate land resources which they now possess.

In short, the modernization and reorganization of prairie grain production has proceeded at a relatively rapid rate over the past twenty years, compared with other segments of industry related to the handling and marketing of grain such as our country elevator system or rail transportation system. The inefficiencies in these systems are becoming increasingly more costly to the primary producer.

As a consequence of heavy duplication of country elevator facilities at numerous delivery points, it is fairly obvious that many of these facilities are not handling sufficient volume of grain to operate at a profit for their owners. This can only mean that the tariff structure covering the entire system must be large enough to pay operators a profit on the operations of the total system to cover the losses of low-volume facilities.

On this matter, we have approached the Board of Grain Commissioners for relative data which might suggest a break-even point on country elevator handlings. On this matter, Mr. E. E. Baxter, director of the statistics division of the Board has advised that a "general rule of thumb" within the grain trade of previous years has been that a country elevator needed to turn over its capacity 3.5 times per annum and have an average storage of approximately 45 per cent to 50 per cent of capacity at all times in order to break even.

Although Mr. Baxter points out that this is a general, broad position and may vary from elevator to elevator and according to capacity situation, it does, nevertheless, take on considerable significance when considered in the light of the following breakdown provided by Mr. Baxter on the country elevator handling pattern in 1964-65 crop year.

> "(1) At the present time there are 233 prairie shipping points at which there are five or more elevators. This numerical count is not necesarily in itself proof of uneconomic duplication; there are ten major country elevator companies and allowing for the provincial segregation of the individual Pools, we could justifiably have eight companies represented at any point. However, a further examination of these high density

points does suggest that they may be over-serviced. These 233 points involve some 1,322 elevators with a total capacity of 116.7 million bushels but an average aggregate annual handling of only 157.5 million bushels. This yearly volume represents a capacity turnover of only 1.3 times.

"(2) There are only 135 shipping points at which the average annual turnover ratio is 3 to 1 or better.

"(3) There are still 117 points at which the handling ratio is less than 1 to 1 or, in other words, where the storage capacity is not completely turned over in 12 months.

"(4) There are 575 points at which more than one company is trying to achieve an economic operation on their share of less than 300,000 bushels of business annually. Again this does not necessarily imply an uneconomic operation at all or any one point; two 50,000 bushel elevators might be a sound operating arrangement if they each handled 150,000 bushels per year."

The preceding paragraphs illustrate the pressing need for the introduction of more orderly planning in the construction of country elevator facilities on the prairies. It raises serious doubts as to the advisability of permitting elevator companies to construct facilities at will in various delivery points and raises the need for grater planning of location in the construction of future facilities.

The congestion of country elevators because of poor markets and low quotas following the post-war years and the early 1950's, has resulted in a tremendous expansion of grain elevator storage facilities. It has, in large measure, been a duplication of the storage facilities required in any event to be built by the individual farmer. This has proven to be a lucrative form of income for elevator companies at both government and farmer expense.

Only recently have railway companies shown any indications of changing the designs of railway boxcars enabling them to be more economically and speedily loaded than the conventional types.

The imminent threat of branch rail line abandonment in many areas will place still greater pressures for increased marketing costs on farmers. Many of the so-called uneconomic rail branch lines are, we believe, largely uneconomic because of the failure of railway companies to upgrade their own operations. Pressures will continue from elevator companies for higher tariffs to cover losses which may result to them through abandoned houses and the need for increased capital to build new and larger facilities on remaining lines. Many thousands of farmers will be affected through being required to haul grain to delivery points many miles further than has been the case traditionally. Farmers will be further affected through increased municipal tax assessments for the upgrading of rural road systems which will be required to withstand the weight of larger vehicles which will be needed to haul grain greater distances.

The farmer, in short, is going to bear a major share of the cost burden in updating grain handling and transportation facilities.

Terminal facilities at both the west coast and the lakehead are probably becoming obsolete more rapidly than we may realize in light of the future possibilities which exist for the rapid movement of grain through the use of such

devices as integral trains and bulk loading facilities, even if employed on a modified basis.

It is possible that your group may have viewed bulk loading facilities in use at the Port of Vancouver for the movement of such bulk commodities as potash, sulphur and iron ores.

The major blocks to the adoption of a bulk loading system for the movement of prairie grain is the cleaning process of the grain itself. It has been suggested that inland government terminals such as the ones located in Saskatoon and Lethbridge might be modified and employed as direct grain delivery houses by producers. Here grain could be cleaned to export standards for rapid loading into hopper cars and shipped either east or west for loading into ocean-going vessels through the rapid loading methods of bulk terminal facilities. This concept is a far cry from the present multi-stage system applied to the handling, storage and movement of prairie grain.

We would suggest these terminal elevators remain under the management of the Board of Grain Commissioners, and producers assign their deliveries to the account of the elevator company of their choice. Similarly, two or more companies could jointly construct other terminals at strategic points for operation under joint management.

Grain could be cleaned to export stantards at such facilities, thereby saving the farmer the cost of shipping screenings to lakehead or coast terminals. It would further speed up the loading of vessels at ports since the cleaning process now frequently results in delays. Hopper cars might be used exclusively for hauling from such facilities since they can quickly discharge grain, thereby enabling a rapid turn-around of railway rolling stock.

There is no doubt the cost of modernization of the present grain handling system will be extracted in the long run from the producer himself. However, it is our view that care should be taken to avoid the pitfalls of the past which have permitted the costly over-expansion of grain handling facilities. The injection of proper planning into the future structure of our grain handling and transportation system cannot be over-emphasized and is an area in which government has a legitimate interest in providing guidance.

Canadian Wheat Board

Prairie grain producers grew the largest wheat crop on record in 1966. The successful negotiation of new sales contracts with the USSR and the People's Republic of China, in addition to our traditional overseas markets, once again places Canada's export potential for 1966-67 in a very favorable position. Wheat no doubt will continue to enjoy the position of a top foreign exchange earning commodity for at least the foreseeable future. Prairie grain growers have just recently received their settlement for the 1965-66 crop year. It is the largest final payment on record and producers would be the first to concede that the marketing skills of the Canadian Wheat Board are largely responsible for this fine marketing record.

The Canadian Wheat Board enjoys a high reputation with the vast majority of grain producers. Any other form of marketing would, by comparison, have been chaotic and disastrous to grain producers in recent years of high production.

There is no doubt farmers wish to continue the orderly marketing system of the Canadian Wheat Board in future years. Producers are concerned, however, that legislation authorizing the operations of the Canadian Wheat Board has never been permanently adopted by the Parliament of Canada, but has instead been renewed on a temporary basis at three-year intervals.

We take this opportunity to invite the Government of Canada to place the operations of the Canadian Wheat Board on a permanent basis for the export and domestic marketing of prairie grain.

Rye, Flax and Rapeseed

Currently, wheat, oats and barley produced on the prairies fall under the marketing jurisdiction of the Canadian Wheat Board. Our organization has for many years advocated the inclusion of rye, flax and rapeseed under the Canadian Wheat Board marketing structure. We reiterate our request at this time for the following reasons:

(a) The farmer who produces these grains is subject to the quota regulations of the Canadian Wheat Board, and is therefore denied the management decision of when to sell since he is limited by delivery quotas and space at country elevators. These circumstances are completely incompatible with open market sales methods.

(b) Because of these limitations and the fact that the day-to-day quotations for these grains fluctuate greatly, the best interests of farmers would be served through the price-pooling method employed by the Board in the sale of wheat, oats and barley.

(c) While the overall production of these three grain is comparatively smaller than the volume of wheat, oats and barley produced, they are nevertheless major export commodities. In 1966, 13.7 million bushels of rye were produced, 23 million bushels of flaxseed and 25 million bushels of rapeseed. Exports of *rye* in the 1965-66 crop year were just over 8 million bushels. *Flaxseed* exports totalled 18.9 million bushels and were 32 per cent larger than the 1964-65 level of 14.3 million. Exports of *rapeseed* in 1965-66 amounted to a record 13.6 million bushels compared with 9.3 million the previous year.

We recognize that the oilseeds such as flax and rapeseed have marketing problems which are not peculiar to other grains since they can be readily substituted on the market by various other types of vegetable oils. However, we believe that the orderly marketing structure of the Canadian Wheat Board would be more beneficial to the long-run interests of producers than is the present method of futures marketing through the Grain Exchange.

Initial Price for Wheat

The size of the final payment made by the Canadian Wheat Board for the 1965-66 crop year clearly indicates that producers are being underpaid on the value of their grain deliveries at the present level of the initial payment for wheat. We therefore recommend that the level of the initial payment be increased from the present $1.50 to $1.75 per bushel basis No. 1 Northern Fort William-Port Arthur.

International Wheat Agreement

For three successive years, renewal of the International Wheat Agreement has been agreed to for one-year periods. However, the floor-ceiling prices of export sales under the Agreement have remained unaffected.

It is generally felt among producers that the current floor and ceiling prices of $1.62½ and $2.02½ U.S., are no longer realistic in terms of the present marketing conditions and world demand for wheat.

Our organization supports the principle of a long-term commodity agreement such as has been represented by the IWA. However, we urge that in the renegotiation of a new agreement, the ceiling price be increased to at least $2.50 per bushel basis Ft. William-Port Arthur.

Dairy Policy

We welcome the appointment of a National Dairy Commission as a proper step in regulating the dairy industry in Canada. It is our hope that the Advisory Committee of the National Dairy Commission will be permitted to play a meaningful role in the guidance and development of a sound dairy policy for Canada.

One of the first official acts of the Commission thus far has been the purchase of 1,000 long tons of New Zealand butter to meet deficiencies in winter supplies of this commodity in western Canada. This has been prompted by the decline in government stocks of approximately 20 million lbs. below the figure of last year.

The Canada Department of Agriculture reports that in 1966 the National Dairy Herd was the smallest of the past 46 years. A decline of 86 thousand head from 1965 was noted and the total number of dairy cows was stated to be 6 per cent lower than in 1961. All provinces with the exception of Quebec shared in the reduction which averaged 7 per cent in the prairie provinces and 6 per cent in the maritime provinces. In British Columbia, the decline in cow numbers was 2 per cent and in Ontario it was 3 per cent. In 1966 farms in Quebec and Ontario were reported to have 71 per cent of the National Dairy Herd and produced a similar proportion of milk.

It is clear that the decline in national milk production is largely due to the delay of the federal government in providing an adequate level of prices to producers for manufacturing milk which would compensate for the rapidly rising costs of production.

The dilemma of the manufacturing milk producer rests in part at least in the fact that his standards of production and his capitalization costs have been rising steadily while the prices he has received have not kept pace with pressures to improve his efficiency. The entire dairy business is highly complicated and is fragmented by the jurisdictions between provincial markets for fluid milk which are governed by provincial milk control agencies and the federal jurisdictions covering all other classes of dairy products. This situation, we believe, could be substantially corrected by having all dairy product processing facilities to be declared as works to the general advantage of Canada and as such be made gents of the National Dairy Commission for the purpose of regulating prices of dairy products from the producer to the consumer.

Provincial milk marketing agencies might also operate under the jurisdiction of the National Dairy Commission for the purpose of regulating production, pricing and distribution of dairy products with the objective of pooling all classifications of milk to realize a blended milk price to all producers.

We believe that one of the first actions of the Dairy Commission should be to increase the price on all quality milk used in other than the fluid milk market to a level which will net the producer a price of $5 per cwt., with corresponding prices applicable to farm-separated cream.

The new Dairy Commission will be in an ideal position to assist the federal government in implementing a food aid program to needy countries in that it will be able to assist in planning the production of dairy products in Canada on a continuing basis for this purpose.

We are, of course, aware of the reported statements of the Minister of Agriculture at the recent Dairy Farmers of Canada Annual Convention held in Winnipeg. He emphasized that dairy farmers cannot expect an increase in direct subsidies for the coming year and that any moves to assist the dairy farmer cannot be based in the coming year on more money from the taxpayer's pocket.

May we merely observe at this time that increased prices in dairy products which result from supply shortages might in future come out of the pockets of taxpayers in their role as consumers in perhaps larger quantity than would be the case if a sound and stabilized dairy industry is established.

The federal government must not forget that it holds far greater sway over the future economic destiny of agricultural producers than it does over those segments of our economy that contribute to the rising cost of farm production.

It should not, therefore, demand more from agricultural producers than it demands from such other segments in our economy.

Tolls—St. Lawrence Seaway

Our organization views with alarm the possible approval by government for bids by the St. Lawrence Seaway to impose tolls and lockage fees on the Welland Canal.

While our views have on a previous occasion been made known to the St. Lawrence Seaway Authority, we take this opportunity to reiterate them at this time.

These, briefly stated, are summarized as follows:

(1) Our views are directed specifically to the proposals of the Authority for tolls on grain shipments to be progressively increased to an average of 11 cents per ton on bulk cargo, and lockage fees on the Welland Canal similarly increased to $100 per lock by 1971.

Toll increases of 11 cents per ton, we estimate, would amount to increased shipping costs on grains shipped out of Fort William—Port Arthur by 1971 approximately as follows:

Wheat	1/3 ¢ per bushel
Oats	1/5 ¢ per bushel
Barley	3/10¢ per bushel

These added tolls on lake shipments of grain out of Fort William—Port Arthur will consequently be reflected in lower returns to primary grain producers.

For this obvious reason, toll increases would, to this extent, be a decided disadvantage to grain producers.

(2) In terms of the relative costs of grain movement by water and rail, the Seaway must almost certainly be regarded as exclusive. Vessel shipments from Fort William—Port Arthur of the three major classes of grain in the 1964-65 crop year, for instance, totalled 364,057,000 bushels as against rail shipments from these ports of only 6,122,402 bushels.

(3) The argument advanced by the Seaway Authority for incrased tolls as a means towards encouraging the size and efficiency of vessels using this water route is of questionable validity. While it can be argued that higher tolls will decrease the competitive position of smaller vessels, we question whether the increase in size and efficiency of vessels alone is entirely valid at a time when it is admitted that "The Seaway is operating with transit capacity to spare; the present toll structure creates no particular problem"[1].

We believe it would be a much more pertinent argument to advance if the use of the Seaway by smaller vessels was creating a bottleneck, thereby hindering the passage of larger vessels.

Consideration must also be given to other factors related to this question. For example, in certain classes of general cargo, larger capacity carriers may not be the most efficient in terms of the class of goods being conveyed. Larger vessels might, in actual fact, slow the movement of goods from the manufacturer in one part of Canada to the purchaser in another if shipment is delayed by more frequent docking for bulkheading and loading of larger vessels than is required by smaller vessels. This could shift traffic from the Seaway to rail, a possibility which the railway companies would undoubtedly welcome. Higher tolls and lockage charges on small vessels would have the same effect and would not necessarily result in the investment in larger vessels by shipping companies. Increased tolls will, in fact, make the Seaway less competitive than it now is for certain classes of goods.

(4) Average toll rates on bulk cargo are now 42.55 cents per ton and 98.20 cents per ton on general cargo. The proposed increases to be phased in by 1971 would amount to 53.89 cents per ton on bulk cargo and 130.25 cents per ton on general cargo, or by 25.8 per cent and 32.6 per cent respectively. These increased toll charges would apply not only to the current volume of traffic but to expected future increased volumes as well.

It is clear, therefore, that should the predicted rate of traffic growth materialize, toll increases would not be necessary in order to make the Seaway self-sufficient by no later than 1980 and could very possibly make it so much earlier.

(5) A proposal is also made by the Seaway Authority to introduce lockage tolls on the Welland Canal to progressively take effect over the next five years to a maximum of $100 per lock or $800 for passage through eight locks. This, it is

[1] Page 11, "Summary of Future Traffic Estimates and Toll Requirements" St. Lawrence Seaway Authority.

argued by the Seaway Authority, "would reward efficiency in the use of canal capacity, would have the added effect of promoting efficiency through the Seaway, in harbor operations and in shipping capacity utilization." The Seaway Authority states further that such a fee would encourage the arrangement of multiple lockages for small ships. It notes that at present, tandem lockages are formed only when two small ships happen to be in a line-up.

It is our view that tandem lockages can be encouraged through the employment of other means than by the imposition of high lockage fees. It could, for example, be a requirement of the Seaway that tandem passage of smaller ships through the Seaway is a necessity in order to pass through the canal toll-free, and this would, in turn, equally assist in encouraging tandem lockages. The recommended lockage tolls in our view are more for the purpose of eliminating smaller vessels from the Seaway than for the purpose of encouraging tandem lockages. The imposition of lockage tolls on the Welland Canal would also make the Seaway less competitive rather than more so.

For the various reasons described above, we recommend:

(1) That toll charges on bulk and general cargo passing through the St. Lawrence Seaway remain unchanged.

(2) That the Welland Canal remain as a toll-free passage for all bulk and general cargo vessels.

(3) That the federal government continue to subsidize Seaway operations until such a time as volume of traffic is able to make the Seaway self-sufficient.

All of which is respectfully submitted by

THE NATIONAL FARMERS UNION.

OFFICIAL REPORT OF MINUTES

OF

PROCEEDINGS AND EVIDENCE

This edition contains the English deliberations and/or a translation into English of the French.

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Translated by the General Bureau for Translation, Secretary of State.

LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-67

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 30

THURSDAY, FEBRUARY 9, 1967

Respecting

The Annual and Supplementary Reports of the

CANADIAN WHEAT BOARD

for the Crop Years 1962-63, 1963-64, 1964-65

WITNESSES:

From the Canadian Wheat Board; Mr. W. C. McNamera, Chief Commissioner; Mr. J. B. Lawrie, Assistant Chief Commissioner; Dr. R. L. Kristjanson, Commissioner; Mr. C. E. G. Earl, Executive Director.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

25802—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman; Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Cadieu (*Meadow Lake*),
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Côté (*Nicolet-Yamaska*),
Mr. Crossman,
Mr. Danforth,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Gundlock,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*),
Mr. Johnston,
Mr. Lefebvre,
Mr. Madill,
Mr. McKinley,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*)
Mr. Watson (*Châteauguay-Huntington-Laprairie*),
Mr. Yanakis—45

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, February 9, 1967.
(41)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 8.10 o'clock p.m. in the Provencher Room of the Fort Garry Hotel, in the City of Winnipeg, the Province of Manitoba. The Chairman, Mr. Whelan, presiding.

Members present: Messrs. Asselin *(Richmond-Wolfe)*, Berger, Cadieu *(Meadow Lake)*, Clermont, Comtois, Coté, *(Nicolet-Yamaska)*, Crossman, Danforth, Forbes, Gauthier, Gendron, Godin, Grills, Gundlock, Hopkins, Horner (*Acadia*), Johnston, Jorgenson, Laverdière, Lefebvre, Madill, McKinley, Moore (*Wetaskiwin*), Muir (*Lisgar*), Neveu, Noble, Nowlan, Olson, Peters, Rapp, Ricard, Schreyer, Stafford, Stefanson, Tucker, Watson (*Assiniboia*), Whelan (37).

Also present: Mr. S. J. Enns, M.P.

In attendance: From the Canadian Wheat Board; Mr. W. C. McNamara, Chief Commissioner; Mr. J. B. Lawrie, Commissioner (Assistant Chief); Dr. R. L Kristjanson, Commissioner; Mr. C. E. G. Earl, Executive Director; Mr. Peebles Kelly, Treasurer; Mr. S. A. Hornby, Secretary; Mr. F. T. Rowan, Sales Manager, Wheat; Mr. H. B. Monk, Solicitor to the Board.

The Chairman made an opening statement and pointed out that committees are portions of the House of Commons, and that this meeting was a regular Committee meeting at which all the rules and procedures followed in the Commons apply.

The Committee resumed consideration of the Annual and Supplementary reports of the Canadian Wheat Board for the crop years 1962-1963, 1963-64, 1964-65.

The Chairman introduced Mr. McNamara and asked that he introduce the officials who had accompanied him.

Mr. McNamara then made a short statement and the members of the Committee proceeded to question him.

Later at the request of the Chairman it was

Agreed,—That the Committee have a short adjournment to allow photographs to be taken.

After the Committee reconvened, discussion arose as to when the Board of Grain Commissioners would appear before the Committee.

Later it was

Ordered,—That the Committee would meet on Friday, February 10, 1967 at 9.15 o'clock a.m. and that the Board of Grain Commissioners appear at that time.

25802—1½

After further discussion, it was

Agreed,—That if time permitted, the Manitoba Wheat Pool would be called to appear at the morning meeting of February 10.

The Committee continued the questioning of the officials from the Canadian Wheat Board.

During questioning, Mr. McNamara tabled a statement he had prepared on "Demurrage", and it was

Agreed,—That the statement on Demurrage tabled by Mr. McNamara be printed as an appendix to the Minutes of Proceedings and Evidence (*See Appendix I*).

Questioning continued and at 11.45 o'clock p.m. the Chairman adjourned the meeting to 9.15 o'clock a.m., Friday, February 10, 167.

Michael B. Kirby,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

THURSDAY, February 9, 1967.

The CHAIRMAN: Gentlemen, I see a quorum. I will call the meeting to order.

For the information of the people who are in the audience tonight I would like to remind them that standing committees are portions of the House of Commons and that this is a regular meeting of the Standing Committee on Agriculture, Forestry and Rural Development. The ordinary rules of procedure, which are followed at committee meetings in Ottawa will be followed here.

We are here because the Minister, acting on behalf of the wheat board, asked the permission of the House to have the estimates of the Canadian Wheat Board submitted to this Committee for study and for this Committee to report back to the house.

I would like to say at this time—and I am sure that I speak for all committee members present—that we are happy to be here in Manitoba. We know that the Committee will benefit greatly from its presence here.

I would remind the committee members that they should be on their best behaviour tonight because, unknown to them, we let some political science students know that we were holding this committee meeting here in Winnipeg tonight and asked them if they would care to attend; we informed them that they were perfectly welcome. I hope you will use as great a degree of parliamentary procedure as your ability will allow for the benefit of all those present.

The Committee has held hearings so far in Vancouver, Calgary and Regina, and we are now holding them in Winnipeg. We are better informed now than when we started the meetings and we hope we will be even more fully informed after we have finished the meetings here in Winnipeg.

We have with us tonight, as the first witness who will be heard in the city of Winnipeg, members of the Canadian Wheat Board. Mr. McNamara, who has the great responsibility—I do not know whether I should say all on his own—has some of his officials with him tonight.

Without further ado I will ask Mr. McNamara to take over and to introduce his officials and then proceed with a brief comment before the questioning takes place.

Mr. W. C. MCNAMARA (*Chief Commissioner, Canadian Wheat Board*): Mr. Chairman, ladies and gentlemen, first let me assure the Committee that we of the Canadian Wheat Board very much appreciate the opportunity of meeting the Committee to discuss our activities with them. This is particularly true tonight in that we are meeting in Winnipeg, where the head office of our board is situated.

Mr. Chairman, it is my understanding that the Committee has not yet completed its analysis of our 1964-65 annual report, which was submitted to them by Parliament last spring. I gather it to be your intention to complete the review of our 1964-65 operations at this meeting.

In so far as our 1965-66 operations are concerned the annual report has not yet been presented by our minister to Parliament for consideration. As a matter of fact, it has not yet been completed by ourselves. However, this report, which covers the 1965-66 operations, should be presented to Parliament within the next two months, and I would hope that shortly thereafter we will have the opportunity and the privilege of discussing with you in some detail our activities for that particular year.

I am sure that you will all appreciate, however, that the details of our operations should not be made public until after our report has been referred to the Committee by Parliament. It will not, therefore, be possible for us to go into the same type of detailed explanation regarding 1965-66 or our current operations at tonight's meeting. However, Mr. Chairman, I want to assure the members of this committee that we will be as helpful as possible and will supply you with just as much information as we can, relating not only to 1964-65 and 1965-66 but to the current operations as well, to the extent that such information as requested by you, on current operations, can be disclosed by us without pre-empting our responsibility to Parliament, or giving information that might prejudice our current marketing operations.

Before you open the meeting for general discussion may I be allowed to introduce to the Committee my colleagues who are with me tonight.

I should explain to the Committee that two members of our board are absent from the city. Mr. Treleven, one of the commissioners, is at present in Geneva, as our representative on the GATT-Kennedy Round discussions; and Mr. Vogel left this evening for an extended visit to some of our main markets in Europe.

Mr. Lawrie, the assistant chief commissioner, is with me tonight; stand up, Jim, and let them have a look at you. Then we have Dr. Kristjanson, the fifth member of our board. I also have with me Mr. Gordon Earl, our executive director, and Mr. Stan Hornby, our secretary. Both of these gentlemen, I understand, have had the pleasure of travelling with the Committee this past week. I do not know whether they were looking after you or you were looking after them, but we are glad to have them back with us tonight. We also have Mr. Peebles Kelly, our treasurer, Mr. Henry Monk, our solicitor, and Mr. Rowan, our wheat sales manager, who is leaving for Moscow tomorrow night; so treat him gently tonight.

I trust that these representatives of the board who are with me tonight, and myself, will be able to give the Committee all the information it wants about our operations.

Mr. Chairman, we now await the pleasure of the Committee.

The CHAIRMAN: I already have a list of names: Mr. Clermont, Mr. Hopkins and Mr. Olson; and I thought Mr. Horner had put his hand up.

Mr. HORNER (*Acadia*): Yes.

The CHAIRMAN: Mr. Comtois, Mr. Stefanson, Mr. Jorgenson, and Mr. Watson.

(*Translation*)

Mr. CLERMONT: Mr. Chairman, with regard to this point of order could Mr. Olson please give us some explanations about the topics that he wants discussed.

(*English*)

Mr. OLSON: Mr. Chairman, on a point of order, I wonder if we could agree to change the procedure slightly. There are a number of separate subject matters that I

would like to dicuss with the chairman of the wheat board and his officials. Would the committee be disposed to having all of the members discuss each subject matter until it has been exhausted and then change to a new subject, rather than going all over the field with each member as he is called?

The CHAIRMAN: Is this agreed? The only thing we can do is to have the first questioner follow his subject through and if any other members have any questions along the same line we should hear them. If not, we proceed to the next questioner.

Mr. OLSON: I expect that this will be a rather long meeting and I think it would be a little more orderly if we do it that way.

(*Translation*)

Mr. CLERMONT: Mr. Chairman, it seems to me that throughout the trip, we questioned the persons who gave evidence and this was in accordance with the questions to which we wanted replies. For my part, I intended to put a few questions on a general basis. I was not going to put questions on any topic in particular. What were the intentions of other members of this Committee? I think we should follow the procedure observed from Vancouver to Winnipeg. Put our questions and if there is time left over, then those who have not had discussion of topics of interest to them might put their questions on these topics.

(*English*)

Mr. OLSON: Well, a few of them are the inclusion of rye, flax and rapeseed; another one is the use of the inland terminals; and there is another one dealing with grades; there is the matter of transport, and so on.

(*Translation*)

Mr. CLERMONT: Mr. McNamara, we know that the Canadian Wheat Board looks after the sale of wheat, of oats and barley. What is the importance of barley and oats to your Board? What part do they play in theworkofyourBoard?

Mr. ROWAN: Mr. Clermont, I am ready to reply to your question and would be glad to do so. Our responsibility and the responsibility of the Board is to market wheat, oats and barley and we attribute the same importance to each of these products depending on the volume we handle. For oats and barley, production is not so great and the quantity delivered to our Board is not in the same volume as the volume of wheat. But it is a very important product to us both at home and abroad. Have you questions to put?

(*English*)

Mr. HORNER (*Acadia*): Mr. Chairman, before we proceed, may I say quite clearly that all week long we have followed a series of questions but we have not necessarily been allowed supplementaries. In fact, at times, through these committee proceedings, whether in Ottawa or in western Canada, I have advocated that there should be supplementaries, but you have not allowed them to any real extent. To make a better proceeding out of this, all members should state their questions briefly and succinctly and the witness should answer them in the same way. We should proceed in that manner, whether or not the questions are in the same order, or have to do with the initial subject as suggested in this case by Mr. Clermont.

The CHAIRMAN: I think one of the suggestions Mr. Horner has made—and I hope he would be one to show a good example by putting these questions—

Mr. HORNER (*Acadia*): I always do.

The CHAIRMAN: It would be a new example, too. I do not see how we can really detour from the policy we have followed.

Mr. Horner's suggestion is good, that our questions should be to the point and not be long statements. Sometimes the Chair wonders when we are going to reach the question and I think the witnesses probably wonder what the question really is, at times. We are just wasting time now on a point of order. We have wasted probably one questioner's time for two or three questions.

Mr. PETERS: I am of the opinion that we could be assisted greatly if the Chairman of the Board, who has no doubt been briefed on the things we have been interested in over the past few days, would give us some of his views on these things. It might expedite matters greatly.

The CHAIRMAN: I cannot see how we can detour from the procedure we have followed. We have been very informal at the meetings. There have not been too many complaints to me about what has gone on at the meetings.

Mr. OLSON: Mr. Chairman, I withdraw the suggestion.

The CHAIRMAN: Mr. Clermont, if you will proceed with your line of questioning the Chair will try to make sure that we do not get too far afield.

(*Translation*)

Mr. CLERMONT: Would you have a percentage of quantities for oats and barley. In the newspapers, we have read that the Canadian West had a record wheat crop in 1966? What were the round figures for the oats and barley crops?

Mr. ROWAN: Percentage proportion to wheat?

Mr. CLERMONT: No, tonnage.

Mr. ROWAN: Yes.

(*English*)

Mr. MCNAMARA: Which crop year did you want?

Mr. CLERMONT: 1966, sir.

Mr. MCNAMARA: This current year, or the past year, 1966?

Mr. CLERMONT: The most recent would be 1966. If you do not have it for 1966—.

Mr. MCNAMARA: I will have this information for you in a minute. I would like to give you, in another form, the information you want.

In the operations of the Canadian Wheat Board and in the deliveries by our producers to country elevators during the past crop year, there was a total of 548 million bushels of spring wheat delivered; there were 19 million bushels of Durum wheat delivered; there were 51.8 million bushels of oats delivered; there were 93.5 million bushels of barley delivered; there were 12 million bushels of rye delivered; there were 23.8 million bushels of flaxseed and 19.8 million bushels of rapeseed delivered; for total farm deliveries into commercial channels of 768.8 million bushels.

I suggest that this information on what our farmers sell, or delivered into commercial channels, is really more important from the eastern Canadian market point of view than the production figures because, as you know, the large bulk of the coarse grains produced in western Canada are consumed on the farms in western Canada. It is a relatively small portion of oats and barley that is delivered into commercial channels.

(*Translation*)

Mr. CLERMONT: Mr. McNamara, what are the prospects of sales for the next three years for wheat on the international markets?

(*English*)

Mr. MCNAMARA: I do not have a crystal ball so I can only give you the prospects as we currently envisage them.

For the past number of years members of the Canadian Wheat Board have been optimistic about the international demand for wheat, and notwithstanding the fact that we have produced the largest crop in our history in 1966, and that crops generally, throughout the world, were favourable, we are still optimistic about the demand.

This year our exports will exceed the 500 million bushel level which will be for the third consecutive year. I cannot see any reduction in the demand over a period of time.

Now, I am prepared to admit that we may have bumper crops where we will temporarily develop a further surplus, but I am one of the believers that the problem facing western Canada and the rest of the world is one of producing enough grain to meet the world food demand.

(*Translation*)

Mr. CLERMONT: Following up your reply, what explanation can you give to this Committee for the fact that since 1961 the sales of wheat to France, to West Germany, diminished even though the population of those countries increased? And in other parts of Western Europe I note that between 1964-65 as compared to 1960-61 in Western Europe, the decrease was of 27 million bushels and for other parts of Europe where Canada habitually sold, it was of 14 millions? Is this due to the Common Market?

(*English*)

Mr. MCNAMARA: The Common Market to some extent; but I think more important is the fact that these countries in western Europe that are members of the Common Market have been backed by a policy of greater self-sufficiency. With prices and other inducements they have greatly expanded their own production. It varies from year to year.

As I told this committee before, the demand for Canadian wheat in particular commercial markets varies each year to the extent of their own indigenous production. For example, when France, Germany or the United Kingdom have a larger than normal crop, instead of adversely affecting our business it helps our business to an extent because they need the strong Canadian wheat to blend with their indigenous wheat to make the proper type of bread.

In years when their crops are not so favourable they are more inclined to import filler wheat from the United States, Argentine and Australia at the expense of the importation of Canadian wheat.

We have recognized for some time, although I do not think the adoption of the Common Market policies have affected the Canadian sales to the extent that they have other suppliers in those markets, that the demand there is being reduced due to production policies within their own areas.

(*Translation*)

Mr. CLERMONT: I notice the same phenomena in regard to Great Britain, one of our most important regular customers year after year; it is also the same in the case of Japan—the quantity these countries bought from Canada since 1960-61 has not increased; in 1964-65 there was a decrease.

(*English*)

Mr. MCNAMARA: The situation in these two markets is entirely different. In the United Kingdom, because of balance of payments and other problems, their government has embarked on a production campaign not only for wheat but for barley. They are trying to make themselves more self-sufficient. It has been recognized—and statistics prove—that over the last few years the importation of wheat particularly into the United Kingdom has declined. There has not been such a decline in some of the feeding stuff, but in wheat there has been a decline. Unfortunately, we have shared the loss in this very important market.

In Japan the situation is entirely the opposite. This is a country which is just developing into a bread-consuming country from being a rice-consuming country. The volume of imports of wheat into Japan has increased markedly over the past few years. Our business has been increasing in Japan, but not to the extent that I would have liked because we have been meeting the most vicious type of competition from some of our American friends in Japan and some of these other Pacific coast markets. But as the country develops from a rice-eating country into a bread-eating country the commercial business is improving the wheat situation and we are sharing in that increase.

(*Translation*)

Mr. CLERMONT: According to your statement, it seems that competition is hardening in our traditional markets. What is the reaction of the Board, the Canadian Wheat Board? When in Vancouver, Calgary and Regina, the witnesses that appeared before our Committee gave us to understand that due to the increase in the cost of production for Western farmers, there should be an increase of about $0.40, $0.50 and even one witness said he wanted an increase of .60 cents a bushel on the international market.

(*English*)

Mr. MCNAMARA: I do not want to decry the representations that were made to the committee by producers' interests on the necessity of higher wheat prices, but you must remember that the responsibility of this board is to market this wheat in the markets of the world.

Competition is particularly strenuous in the world of wheat, much more so than it was two or three years ago. Our largest competitiors, the Americans, have been recently following a pretty soft marketing policy, and we have run into a lot of competition from the Argentine and Australia. In other words, what I am saying is that Canada on its own—the government—might decide to subsidize production, but in selling wheat in international channels the law of supply and demand still prevails, and all that we of the board in merchandising can get is the international price.

(Translation)

Mr. CLERMONT: My last question is the following. Recently, in appearing before the Committee on Finance, Banking and Economic Affairs, one witness claimed that at the time of the last sale to Russia, all of our foreign exchange was supplied by foreign banks and not by Canadian banks. And when the same question was put to the bankers they denied this fact. Are you in a position to make a comment about this? To tell us what the situation really was?

(English)

Mr. MCNAMARA: The only comment I can make is that along with one of my colleagues I had the opportunity of negotiating this deal with Russia. The question of credit or payment was not raised. Payment is being made to our agents in U.S. or Canadian dollars. There is no financing involved at all. Our banks were not approached, nor was the international bank, to my knowledge. If they were, they were approached by the Russians, not by us.

Mr. HOPKINS: You are responsible for the sale of Canadian wheat, oats and barley. Therefore, you cannot help but be interested in getting grain to our ports so that it can be carried to world market points. What transportation problems within Canada have you been confronted with in meeting your sales obligations?

Mr. MCNAMARA: A few years ago, when we were exporting wheat to a volume of say 300 or 350 million bushels, transportation was not a major headache for us, but in recent years, when we have been setting our target at an export level of 600 million bushels with 150 million bushel domestic requirement, plus the necessary transportation for oats, barley, flax, rye, rapeseed and the other grains, transportation has been a real problem for us and for the railways.

We have been asking the railways to step up the movement of grain probably 50 or 75 per cent from the normal conditions that prevailed a few years ago; but through co-ordination of efforts and the co-operation of both railways this transportation problem has eased greatly. We have exported for two years in a row close to 600 million bushels. We would have exceeded 600 million bushels and the railway companies made the transportation available to us. It is not only a case of providing the necessary transportation but they worked with us in equalizing producer delivery opportunities throughout the west, which required a lot of intricate management on their part.

I have nothing but praise for the courtesy and the co-operation we have received from the railways and from the lakeboats and sea boats engaged in grain transportation for the last few years.

Mr. HOPKINS: Is it true that last year you moved more wheat than in any other year in Canadian history?

Mr. MCNAMARA: The grain moved out of country elevators last year was the largest amount in the history of the western grain operation.

I am pleased to say that the railways so far this year are running considerably ahead of their performance to this date in 1966.

Mr. HOPKINS: Flaxseed and rapeseed do not come under your jurisdiction in international sales? Is this true?

Mr. MCNAMARA: This is true.

Mr. HOPKINS: Is there any reason that the wheat board should not handle these, other than the fact that they are not listed in your terms of reference?

Mr. MCNAMARA: Mr. Chairman, I had the pleasure of meeting with this Committee on June 7 when this same question was asked by members. At the time I filed with you a statement of wheat board policy on the handling of rye, flaxseed and rapeseed. This is shown at page 390 of your report of that meeting.

If it is the wish of the meeting I am prepared to read the same statement into the record, but our position is unchanged from that which I enunciated on June 7 when I met you last.

Mr. HORNER (*Acadia*): On a point of order, I would say let us take it as read. It is there. I referred to it in the meeting in Alberta. It is obvious to everyone now. Let us take it as read.

The CHAIRMAN: If you would let me make a decision I would. Mr. McNamara asked me if I thought it was necessary. He said that if the Chair requested it he would read it. I did not make that request. I do not think it necessary that he read it.

Mr. HOPKINS: Reference has already been made to the suggested prices of Canadian wheat on the world market. Are you prepared to say what the top price for Canada wheat could be at which we would still be in a competitive position?

Mr. MCNAMARA: I would say that under conditions that exist at the present time the asking price of the wheat board today represents the widest premium over competitive wheat that we can hope to achieve. But this does not really answer your question.

We, along with the Canadian government and other exporting nations of the world, are engaged at the present time in negotiations in Geneva under the Kennedy Round. Failing the completion of an international agreement under that form we will again be re-negotiating the International Wheat Agreement.

All the exporters are pressing for a marked upward revision in both the minimum and maximum price. Our price at Vancouver currently is very close to the current maximum price of the International Wheat Agreement which is putting a ceiling on it; but I would hope that as a result of these negotiations we and the other exporting nations will be successful in having an increase in both the minimum and the maximum.

It will not be decided only by the exporters; the importers will have quite a lot to say on what level they would agree to.

Just at this time I would like to make a comment on this because I have been somewhat concerned on reading not only reports of your meetings but other comments in the western papers, and even in the eastern papers, that because Canada and some of the other countries are successful in negotiating a higher range of a minimum and maximum price this automatically will mean that we, as your sales representatives, will be able to secure a price related to the new maximum price.

As I said previously the wheat market of the world is very competitive, probably more so than it has ever been in the past. We will endeavour to get the best possible price we can secure but we cannot fix these prices. We must keep our wheat competitive with the price at which our competitors are prepared to sell, having due regard to quality.

Mr. OLSON: Mr. McNamara, I would like to discuss a number of matters with you but after I go into one I will pass for now. It is this matter of differences in quotas between the various shipping points at various times.

I would like to know, first, what conditions require you in the first instance to put on a quota at all, from the initial units that are granted, I understand, to all points at the beginning of a new crop year.

Mr. MCNAMARA: Well, as you have pointed out, Mr. Olson, we start the crop year with a unit quota. Up until this past year this related to 300 bushels of wheat, but following discussions we had with this Committee last June, and taking the views that were expressed at that time and other factors into consideration, the level of the unit quota was raised for this crop year to 400 units, with oats and barley at a corresponding, increased level.

After the unit quota has been delivered, we have an arrangement with the elevator agents whereby they indicate to us when they think that there is sufficient space at their elevator to justify the first quota going into effect. I am not saying that we leave this control to the elevator agents; we keep daily and weekly records of the space at every point, and in many instances where we feel that there is enough space to warrant the introduction of an initial quota or to raise a quota, we act on our own.

Mr. OLSON: You wait until you get a request, or an indication at least, from some of the elevator agents at that specific shipping point before you do, in fact, raise the quota at this stage, do you?

Mr. MCNAMARA: Generally, yes; but at points where our records would indicate that there is 75 or 60 per cent sufficient space for a new quota we will at times act on our own initiative and raise the quota at that point, particularly if we are trying to attract deliveries because our country supplies are becoming low.

Mr. OLSON: Yes. How do these agents obtain the cars that they need to provide the space required to make a request?

Mr. MCNAMARA: There are several systems that were adopted by the board as a result of the Bracken inquiry, regarding car allocation, under which we allocate to the elevator companies their share of each shipping order. We then leave it to the management of the elevator companies to distribute these shipping orders among the various stations where they individually operate. The elevator agents then file the order for the shipment with the local railway representative.

In addition to that we have worked out a system with the railway companies where we supply them, on a weekly basis with statements showing the space at every station, the amount of grain that has been delivered under the current quota and the amount of grain still to come in under the current quota. This acts as a guide to their officials in the distribution of their cars. They can recognize the points that are not getting their fair share of cars and can make transportation available.

Mr. OLSON: This decision on the allocation and of actually ordering the cars to be dropped at this or that shipping point is almost entirely in the hands of the railroads, notwithstanding that they may be guided by your recommendations to them; is that right?

Mr. MCNAMARA: This is correct. Under our act we have no authority to direct the railways on the placement of their equipment. The only authority contained in our act

is for the allocation of cars within the shipping point once the railway has made them available. We control the distributions between the elevator companies, but we cannot direct the railways on how they distribute their equipment.

Mr. OLSON: Are you familiar with the procedure—if there is a standard procedure—that the railways use in allocating these cars?

Mr. MCNAMARA: No; I am not competent to tell you how the railways operate, but I do know that it is not only grain that they are involved with; there are potash and other commodities that must be moved; there is seasonal business that they must take care of; there is the transportation of their power. But I do say, as I said before, that the relationship between our board and the railways, and the co-operation we are receiving and the earnest effort that they are obviously making to try to place cars in accordance with our requirements has been very noticeable. In fact, it has improved very greatly the last few years.

Mr. OLSON: I have no doubt about that, but you have no doubt detected by this time that what I want to know is why there is a disparity, or such a wide difference, in shipping points that appear to have essentially the same kind of grain in a crop year. For example, there are all the shipping points from Medicine Hat to Lethbridge, or from Empress to Bassano—two that I happen to be somewhat familiar with—and yet at times we find some of the points along that line where the quota will be twice as much as, or 100 per cent more than, at another point nearby. I am trying to find out who it is that makes the decision and how the cars get in there, when we find ourselves in this position within two or three months after the new crop year starts?

Mr. MCNAMARA: Conditions vary from time to time, Mr. Olson. To illustrate what I have in mind, this past crop year which we will be reporting on within the next few weeks, the board, as a matter of policy, requested the railways to take the short line haul to Fort William early in the crop year. As you know, we got into heavy commitments with the Russians and others. We were short of supplies in eastern Canada and at the lakehead and we asked them to concentrate their car supply in Manitoba and southeastern Saskatchewan. The result of this direction from the board to the railways, which they followed, meant that we deliberately starved western Saskatchewan and parts of the area that you represent in Alberta. We asked them to give preference to this movement because we had sales commitments that we had to meet.

Now, this action, by the board alone, made it impossible for the railways to keep quotas equalized all during the year.

This was followed by another situation which developed. In Manitoba and eastern Saskatchewan last year they harvested a very large percentage of high-moisture grain which we wanted to salvage before it spoiled. Early in December we put a preference on the shipment of that type of grain to the lakehead for drying. Once again this impeded our efforts to equalize delivery opportunities in the areas of southwestern Saskatchewan and Alberta.

However, the fact remains that at the end of July delivery opportunities had been supplied to that territory so that in practically every instance, I believe, quotas were equalized at the 10 bushel per specified acreage level.

Mr. OLSON: Mr. McNamara, even though we were left until the last, I have no quarrel with your setting up this kind of policy to meet the kind of situation that you

had to meet at the time, but even when the quotas did start to open in southern Alberta there were points that to me appeared to have exactly the same kind of wheat, were approximately the same distance from the terminal elevators and yet some of them were on two bushels while there were other points on five and six bushels.

I want to ask you this: What role does the railway dispatcher play in this? Does he have the sole authority to allocate these cars, or to order them to be dropped at certain shipping points? Is there someone else in the railway management that supervises this whole situation and gives some directives to the dispatchers?

Mr. McNAMARA: I am not competent to deal with the internal operations of the railways. We deal with the officials in Winnipeg and Calgary in the shipping offices. It is my understanding that the information that we make available to them is passed right down the line. Now, whether or not it gets to the actual dispacher, I do not know.

Mr. OLSON: Mr. McNamara, this is such a vital matter in trying to spread the market equitably that I wonder if this co-ordinating committee on transport looked into this? Did they find out where the responsibility lies, who makes the decision and what is actually physically done on the basis of those decisions?

Mr. McNAMARA: Well, I happen to be chairman of this co-ordinating committee and I think that results were achieved. We met our objectives last year. We eventually equalized the quotas. It is true that there was some hardship caused during certain periods of the year, but the committee did not try to get into the actual operation of the railways.

Mr. OLSON: Do you not think that it would be a good idea for someone to do this so that Members of Parliament, who have to answer to the producers, and so on, in this kind of situation, could have some logical and reasonable basis for explaining these differences in quotas?

Mr. McNAMARA: I think you will remember, Mr. Olson, that last June I accepted for the board the major responsibility for the disruption of the quota system during last year. This was on forward instructions because we had commitments for certain types of grain for which we had to preference the movement.

I do not know exactly what you have in mind, but if you are suggesting that someone should be empowered to direct the railways on where they place their cars, I would question the wisdom of such a decision very much, because my experience is that we can get a lot more by co-operating and co-ordinating with the industry than by trying to direct them.

Mr. OLSON: Perhaps you can, and even whether or not we have someone who has the authority to give this directive is not exactly the point I am trying to raise now. For example, if the quota in Taber is 5 bushels per acre and 40 miles down the road at Bow Island it is three or two bushels per acre—and this has happened—there ought to be some explanation for it, if they have essentially the same kind of grain to sell.

Mr. McNAMARA: I think that is the answer. You will find on investigation that they did not have essentially the same type of grain.

Last year we had large commitments of low grade to China out of Vancouver. There was a lot of No. 2 Northern in that area that you are representing. We gave preference to the shipment of low grade wheat and we held back the high grade wheat. At the end of the crop year our problem was trying to move the high grade

wheat, that would be delivered in June and July because we had been preferencing, and creating space at many stations on this low grade wheat.

The same thing is applying this year. We have been preferencing the movement of low grade wheat to meet commitments we entered into last year. We have been moving the threes and fours and the movement of No. 2 Northern has had to be restricted because our old sales commitments were primarily for the low grades. We are now getting into the area where we have sold the new grades that were produced this year. This is a very high grade crop.

Mr. OLSON: Mr. Chairman, I am going to pass in a moment. I have just one other question on this particular point. My information is that most country elevator agents always have enough shipping orders on hand; that it is never a question of their being short of shipping orders; it is a question of them getting cars to meet the shipping orders.

Is it true, in your experience, that most of these country elevators have always plenty of shipping orders on hand if they could just get the cars to ship?

Mr. MCNAMARA: This is true in most areas in recent years when we have had such a big movement. A few years ago it was not true when we could make only limited shipments because there was congestion at the lakehead terminals. At that time shipping orders were very, very valuable to all. Recently we have had as many as 30,000 orders in the hands of elevator agents for the lakehead, and perhaps 7,000 or 8,000 in the hands of agents for shipments to Vancouver. So the question of the shipping orders has not been the problem at most stations. Although, as I said before, there have been certain areas in western Canada this year, particularly where high grade wheat predominated—the bulk of the deliveries being No. 1 or No. 2 Northern—that we have not allowed the elevator companies to put shipping orders into those stations. Those agents have been embarrassed by the lack of shipping orders.

Mr. OLSON: Just one more question. Do all of the shipping orders, for mill orders and for domestic orders go through your hands, too?

Mr. MCNAMARA: Yes; and just on this point I would like to say that in addition to the shipping orders we have, we have another policy for relief of congested elevators whereby, if his elevator is congested and he has not got a board shipping order, an agent can apply to the railway agent and he will get the first car out of turn in order to open up his elevator and give him some relief.

Mr. OLSON: I have more questions, Mr. Chairman. Would you put my name down again. I will pass for now.

Mr. GUNDLOCK: I have a supplementary, Mr. Chairman.

The CHAIRMAN: Mr. Gundlock, we agreed before you came in that we would not allow supplementaries because of the long list of questioners. The next questioner may have the same supplementary, and you will get your answer anyway.

Mr. GUNDLOCK: Mr. Chairman, on a point of order, or a question of privilege, I have a short question—

The CHAIRMAN: The Committee agreed, Mr. Gundlock, before you came in that we would follow this type of procedure. I am going to try to stick to it. Unless the Committee instructs me differently I am going to follow the procedure we agreed to. There will be no supplementaries because of the lengthy questioning that is going to

take place. I have had your name on my list since you first intimated to me that you wanted to ask a question. It is not the last name on the list, I can tell you, but it is not far from it.

Mr. GUNDLOCK: Well, I have a supplementary question now, Mr. Chairman. Certainly if we are going to—

The CHAIRMAN: All right; one short supplementary.

Some hon. MEMBERS: No, no.

The CHAIRMAN: All right; the Committee is not for it.

We have one other request. Whether or not the Committee will agree to this I do not know. I am in the hands of the Committee. We have had a request from CBC, who have a program called "Country Calendar", to take a film for a minute and a half. We cannot do this while the Committee proceedings are going on, so that we would have to adjourn for a minute and a half to allow this film to be shot. Now, do you agree?

Mr. GUNDLOCK: Mr. Chairman, on a point of order. If we are going to have CBC here—

The CHAIRMAN: Just a moment, Mr. Gundlock. I am asking the Committee for an opinion on this. If the Committee does not want the CBC to take this film that is their business; but they will decide, not one person of the Committee. Is it agreed that the CBC take their film.

Some hon. MEMBERS: Agreed.

Mr. HORNER (*Acadia*): I think we have to co-operate.

The CHAIRMAN: We will recess now. The filming will be over shortly.

—Recess.

The CHAIRMAN: We are back in session again.

Mr. Horner, I believe you are next on the list.

Mr. HORNER (*Acadia*): Yes, Mr. Chairman, I have about four questions, and I am going to be quite brief and go through them as quickly as I can.

My first question, Mr. McNamara, is with respect to shipping orders. Do you allocate, or notify a grain handling agency that you would like them to supply so many bushels of No. 1 or No. 2 or No. 3 wheat and let them decide what shipping point that wheat shall come from?

Mr. MCNAMARA: The answer is No, Mr. Horner; we do not ask them what they want to ship; we tell them what we want them to ship, and we give them the territory,—not the individual stations—the general territory from which we expect them to draw these supplies, having regard to whether it is a movement to Vancouver, Churchill or some other area. But we do not ask them to ship. It is our wheat and we tell them to ship when we want them to ship.

Mr. HORNER (*Acadia*): I am not so dictatorial as you, but in other words, the grain handling firm designates what specific shipping point the grain moves from in a given territory. My next line of questioning is on the inland terminals at Saskatoon, Moose Jaw and Lethbridge in particular. You stated some time ago that to some extent the drying operation has impeded the grain flow—if I may use that word to generalize

it—from the farmer to the export market. Would it assist your operations if the grain drying facilities at the inland terminals were used to their maximum capacity?

Mr. McNAMARA: It would, in a year when we had an abnormal quantity of out-of-condition grain, such as we had in 1952, for example, when we did use all the drying facilities available in Canada; in fact, we moved grain into the United States for drying.

The statement I made earlier about the movement of moisture grain interfering with our operations was related to last year when there was an abnormally heavy quantity of grain in Manitoba and eastern Saskatchewan that could not be routed, to advantage, into Moose Jaw and Saskatoon, and that required drying.

This year the moisture problem is very much less than it was last year.

Mr. HORNER (*Acadia*): In Alberta particularly, Mr. McNamara, we see a great deal of damp grain in special areas. I can think of one area in my own constituency—the Stettler area—and I can readily think of another area in the Peace River. In the Peace River particularly there is still out-of-condition grain which should move to a drying facility. Now this Committee quite recently visited the government grain elevator at Moose Jaw and found it relatively empty and not being used.

If the grain drying facilities at those inland terminals were specifically designated as drying terminals for prairie grain could they not be used to greater capacity and would it not remove one of the bottlenecks that you face as the export marketing agency for our prairie farmers at the west coast and at the lakehead?

Mr. McNAMARA: No; I am sorry, Mr. Horner; I usually agree with you, but on this particular problem I am not in agreement.

Let me talk about this problem this year that you refer to. In a questionnaire that we received from all the elevator agents, relative to high moisture grain—namely, grain containing over 17 per cent moisture that is liable to go out of condition—it was estimated that only about 25 million bushels out of the 800 million bushels of wheat that the farmers wished to deliver would be in that condition. Now, practically all this grain is located in Alberta, mainly in the Peace River area. Of that 25 million there have been 19 million delivered by producers to date. Practically all of that has been shipped. Now, most of the grain in the Peace and that part of Alberta is low grade wheat and it has been moving to the lakehead. There has been some limited quantity of moisture in the higher grades but fortunately the movement of dry grain, through Vancouver, has been sufficient to absorb most of this moisture grain that has been going out there, without necessitating a drying operation. A drying operation is very, very expensive to the producer. It would be much more expensive to them if we routed grain from the Peace River into Moose Jaw and Saskatoon. That would cost us about 6 cents per bushel before it was dried.

The other point I would like to make, Mr. Horner, is that you must appreciate that in spite of the large operations we have at the lakehead terminals and the volume of dry grain that is moving through those terminals this year so far we have been able to avoid, except in a very few circumstances, the operation of any artificial drying at all, which again saves us a lot of money.

Mr. HORNER (*Acadia*): What you are saying—and correct me if I am wrong—is that it is easier and cheaper to blend out the dampness than to dry it out mechanically?

Mr. McNAMARA: That is correct. But on damp grain anything over 17 per cent moisture, under regulations of the Board of Grain Commissioners, has to be artificially dried. You will get wheat going to 15 or 16 per cent and if you get a good volume of dry grain running through it you can, as we say, pencil-dry it down under the 12½ per cent moisture.

Mr. HORNER (*Acadia*): I am going to accept your answer but I want to move on to two other questions. The first is in respect of the handling of flax and rapeseed.

In a statement which you made to the Committee some time ago you said that actually, in effect, you are handling a very, very small amount of the oil seed. Would it be correct to say that you are handling less than 1 per cent of the oil seeds with regard to flax and rapeseed and particularly the edible oil seeds, in the world market?

Mr. McNAMARA: I would not be surprised if the quantity of oil seeds delivered in Canada works out to less than 1 per cent of the total supplies of all oil seeds on the world market. It is a very limited. . .

Mr. HORNER (*Acadia*): I am referring to flax and rapeseed particularly, realizing, of course, that mustard is also in the category. Do these three require an extra amount of cleaning time? I am thinking particularly of time here. I know they require an extra amount of caution.

Mr. McNAMARA: I am not an operating manager. They do require more careful cleaning. They are a much more hazardous crop to handle. I have a good word to describe flax, but I had better not use it in the circumstances. It is a very slippery commodity.

Mr. HORNER (*Acadia*): This is the point I want to make. Could these inland terminals be used to any advantage to, you might say, consolidate or to locate volume shipments, particularly of rapeseed? For example, an elevator in the chain of the wheat pool, or the UGG, or the line companies might handle a thousand bushels of rapeseed in a given year but this is not enough. Could the rapeseed be moved on to the inland terminals? I refer to the inland terminals as being the government elevators at Moose Jaw, Saskatoon and Lethbridge. Could they not be used, as a rancher would say, to corral the total volume of rapeseed and flaxseed and then that volume could be moved from those inland terminals direct to export markets?

Mr. McNAMARA: My answer to that would be in the affirmative subject to the question of whether it would be economical to put them through these terminals. In the case of wheat, as I have reported, it costs an extra 6 cents a bushel for the first year to route grain to the interior terminals. When marketing rapeseed at the present time, under the regulations of the exchange it is possible to make delivery against a contract in the interior terminals in Alberta, but they are not being used for this purpose because the trade has found that it is not economical to do so.

Mr. HORNER (*Acadia*): I acknowledge the 6 cent charge, immediately. I, as a producer, do not want to pay it. I say that quite emphatically. I do not want to pay it, but I also realize that in Canada rapeseed and flaxseed particularly and damp grain come from specific areas. Could not the inland terminals be used to segregate the dry grain, for example, to corral the rapeseed and the flaxseed and to clean it? Now, in Vancouver we visited the terminal elevator operation there and I noticed particularly—and asked questions about the terminal elevator I happened to visit—that flaxseed

particularly constituted a cleaning problem. Could not flaxseed, rapeseed and damp grain be handled, if it was so designed to flow to the inland terminals, without the full mark-up of the extra operational cost of 6 cents a bushel? In other words, flaxseed has to be gathered somewhere. Rapeseed has to be gathered somewhere. Why not use the inland terminals?

Mr. McNAMARA: If you could gather it there right from the farm it would be much more feasible than to ship it in, because it is the shipping in and the stop over that account for a lot of the additional cost. I would suggest, Mr. Horner, that although I must answer your question in the affirmative and say that it would be feasible if the cost factor was removed, I think you would find that the elevator companies, including the farmer-owned, would then want a higher handling margin in the country because they operate their country lines and their terminal lines together.

The cleaning of flaxseed and rapeseed is heavy. It is a profitable operation. If they were going to pass up the cleaning operation and suffer a loss of terminal elevators, say, to the government elevators operating in Moose Jaw, Saskatoon, Edmonton or Calgary, I am afraid you would find that they would be making applications for their country tariff to be increased. They could prove that a country elevator does not exist only on its local handling charges; it must be tied in with the other operations.

Mr. HORNER (*Acadia*): You said—and I want to quote you correctly—that the drying and the cleaning of rapeseed and flaxseed was a profitable operation, and you say that the handlers of this commodity would object to this being done at the government inland elevators. I am suggesting that if these government inland elevators were private concerns and could bid on the cleaning operation of flaxseed and rapeseed and, perhaps, underbid the terminal operations, this could be quite feasible. Would I be wrong in assuming that?

Mr. McNAMARA: I can only venture an opinion on this. I would say that the terminals are there, with people handling rapeseed and flaxseed, other than the regular elevator companies, and I have not noticed them using the facilities of the government elevators for a movement of rapeseed and flaxseed such as you have suggested could be done.

Mr. HORNER (*Acadia*): I am going to drop that question of flaxseed and rapeseed because I realize that the elevators are not really bidding for the cleaning job and it is, therefore, really no test. I have one further question, Mr. Chairman, that I would like to ask the chairman of the wheat board. From time to time in the past six months we in western Canada have been reading disturbing reports about the possibility and feasibility of expecting that our wheat exports shall be as large in the continuing years as they have been. For example, in the Winnipeg papers five or six months ago it was pointed out that bumper crops were expected in Russia and even in China, and that due to the unrest in China there is a growing concern on the part of the producer on whether or not we can fully expect that our wheat exports will be as large in the year ahead, or in the continuing years ahead, as we once thought they would be. Would you comment on that?

Mr. McNAMARA: Let me remind the Committee that not more than six or seven years ago we in Canada thought that an export movement of 300 million bushels, with a utilization of 150 million bushels at home, was a pretty satisfactory export movement. I know that when our board came out about three years ago and suggested that our

target should be at least 400 million bushels a lot of people thought we had holes in our heads. The fact is that over the last three years we have been running better than 550 million bushels.

Now, as I indicated to another questioner, I am optimistic about the demand, not for Canadian wheat but for all wheat, but I am now concerned with whether you people can keep up with your sales, namely the producers. I come from Saskatchewan and I went through the 'thirties. I just do not believe that on our current acreage Canada is going to produce 840 million or 740 million bushels year after year. I am more concerned with the supply position than with the marketing problem.

Mr. HORNER (*Acadia*): In other words, you are prepared to say to the western farmers: "Produce all you like; I will sell it". Am I correct in that?

Mr. MCNAMARA: Do not put it that way. "Produce quality wheat". Keep the quality. "Do not produce all you can because the thing we have to sell is quality". Do not let your sights get lowered on quality just for production.

Mr. HORNER (*Acadia*): Well, Mr. McNamara, let us just say it this way then: "Produce all the high quality grain you can and I will sell it". Can the western farmers feel confident that this will be so in the next three years. I am not trying to get you to predict anything beyond the next two or three years.

Mr. MCNAMARA: I will only predict for three years because I am 62, and you can say that so far as I am concerned, for the next three years.

Mr. HORNER (*Acadia*): I will forego any further questions, Mr. Chairman.

(*Translation*)

The CHAIRMAN: Mr. Comtois?

Mr. COMTOIS: Mr. Chairman, Mr. McNamara told us that in the European Common Market, there has been an increase in both production and prices. Do you think that if Canada were part of the Organization of American States and a common market were organized amongst these countries, particularly export countries, there would be means of increasing the cost of Canadian wheat in an appreciable manner in order to satisfy the wheat producers?

(*English*)

Mr. MCNAMARA: With your permission, Mr. Chairman, I would like my colleague Mr. Lawrie to get in on this discussion.

The CHAIRMAN: Fine.

Mr. J. B. LAWRIE (*Assistant Chief Commissioner, Canadian Wheat Board*): In answer to your question, sir, I cannot quite see how that could possibly affect prices. As Mr. McNamara has pointed out, we are getting a price at present very near the maximum of the International Wheat Agreement. We are also meeting severe competition. Because of the quality of our wheat we have been able to market large quantities in competition with the Americans particularly.

When we were before you in June, the production situation was unknown, but since that time we have, as you know, produced a very large wheat crop in Canada—844 million bushels. Russia, which last year produced a crop of about 1,700 million bushels, this year produced a crop of 2,700 million bushels. There you have one

country alone producing one billion bushels more than they did last year. Now, that has some effect on the market. Russia is already exporting wheat this year after an absence of several years from the markets.

The question raised was: Could we hope to get increased prices—I believe that was the way you worded it, sir—if we joined any organization? I think that the number one factor in marketing wheat is price and quality and that the buyers, as Mr. McNamara said earlier, have a great deal to say about what price they are willing to pay.

There has been a tremendous expansion in wheat production in the last two or three years. This year the world produced a crop 9 per cent higher than last year. If you look back even four years ago you will find that world wheat production is going up steadily. Even in such markets as the Common Market—I have the figures here—the average production from 1949 to 1954 in western Europe, including the Common Market, was 1,165 million bushels. Last year they produced 1,766 million bushels. Therefore, western Europe alone in the past few years has gone up 600 million bushels. That wheat has to be utilized, and certainly if they cannot use it for milling they use all they can, and the rest is used for feeding purposes.

(*Translation*)

Mr. COMTOIS: Mr. Chairman, it seems impossible on the world market to get better prices. How are the Western farmers going to increase their net income every year?

(*English*)

Mr. MCNAMARA: Mr. Chairman, I suggest that the question of the level of farm income in western Canada is really beyond the authority and powers of this board. We are a marketing board. We are entrusted to sell, to the best possible advantage, the grain delivered to us by the producers. If the international level of price that can be obtained is not sufficient to maintain their standard of living this responsibility is more related to you people as Members of Parliament than to the Canadian Wheat Board.

(*Translation*)

Mr. COMTOIS: Another question, Sir. What is the amount of wheat, oats and barley sold and shipped to Eastern Canada and what percentage of the overall production of wheat, oats and barley does that figure of shipments to Eastern Canada represent?

(*English*)

Mr. MCNAMARA: Dr. Kristjanson, could you deal with this question?

Dr. R. L. KRISTJANSON (*Commissioner, Canadian Wheat Board*): In the case of oats, the amount that went into eastern Canada and British Columbia for the year under review here was 33 million bushels.

(*Translation*)

Mr. COMTOIS: Mr. Chairman, would you have figures just for Eastern Canada, and for British Columbia, under these two district headings?

(*English*)

Mr. KRISTJANSON: No, I am sorry; we do not have. In the case of British Columbia it would be very, very small—perhaps, a million or two million bushels at the

most. Therefore, this 33 million bushel figure is very close to the eastern Canadian consumption. In the case of barley there were 28.8 million bushels.

Mr. McNAMARA: Is that the information you wanted, sir?

(Translation)

Mr. COMTOIS: I wanted wheat, oats and barley, and the percentage which these shipments represent; as compared to the total sales for these areas.

(English)

Mr. KRISTJANSON: In the case of oats, in that same year in Canada it was 357 million bushels. In the case of oats, most oats are used on the farms where they are produced. In the case of barley in that year production was 166 million bushels in all of Canada.

Mr. COMTOIS: What about wheat?

Mr. KRISTJANSON: Wheat feed consumption would be around 20 million bushels. I do not have the exact figure here. This relates to over-all export sales of the magnitude of 400 million in 1964-65.

(Translation)

Mr. CHAIRMAN: There is a great deal of talk about transportation difficulties in regard to seed going to the Lakehead to the West. Are there the same difficulties in the way of transporting cereals from Western to Eastern Canada?

Mr. KRISTJANSON: No, there have been no difficulties with respect to having sufficient shipping capacity to move feed grains from the lakehead to eastern position at any time during the past few years. In other words, there have been enough lake vessels available to move the required quantities of grain from the lakehead into eastern positions.

(Translation)

Mr. COMTOIS: Thank you, Mr. Chairman.

(English)

Mr. STEFANSON: Mr. Chairman, I just want to raise one point and I will be very brief. I would like to direct my question to Mr. McNamara.

I understand that at the present time there is very little wheat being shipped from the port of Vancouver to European countries. If this is a true supposition, what is the reason for it?

Mr. McNAMARA: The situation is that we have entered into the largest contract we have ever enjoyed with China, for shipment out of our west coast port. The Chinese are taking two and a half million tons of Canadian wheat out of Vancouver this year. In addition to this we have the large Japanese market that will be taking about a million and a half tons. Last year we created a new record of shipments of all grain out of Vancouver facilities. I think the figure was about 236 million.

Whether or not we will exceed that record this year, I do not know. It will depend on further sales. But as of today we are running ahead of shipments in Vancouver compared to this date last year, notwithstanding the very serious delays that have been caused by labour troubles out there. The reason for our curtailing the shipments out of

Vancouver is because of the heavy commitments we have to China, Russia, South Africa and other countries that are dependent upon the Vancouver route because of the structure of ocean freight rates.

In addition, we produced a very large crop of feed barley in Alberta this year, that can be moved most economically and to best advantage out of the west coast.

Recently we have been curtailing our wheat sales to Europe and other destinations because we can service these countries just as well out of the Atlantic ports, and we have been trying to concentrate our wheat deliveries to countries that are dependent upon Vancouver and, at the same time trying to utilize those facilities, to a degree, for the movement of our barley.

Another point you should keep in mind is that under the current marketing conditions practically all the rapeseed being marketed by Canada is going to Japan. This is the largest market we have developed for rapeseed. Substantial quantities of other grains, such as rye, are moving out of the western route. Therefore, we are finding this year that the Vancouver facilities are being taxed to almost their maximum capacity, whereas, we have unused capacity out of the St. Lawrence that could be utilized for servicing these other markets.

Mr. STEFANSON: Are there not some ships from European countries, docking at Vancouver, and possibly taking on a part load of flax or rapeseed, which I know you are not responsible for marketing. But, at the same time if that country has a contract to buy wheat from Canada, would it not be good, sound business to fill up the balance of the load with wheat?

Mr. MCNAMARA: Yes and some of these countries have enjoyed this in the past, where they would fill out their wheat cargo with parcel lots of these other grains. But we just have not got the luxury of surplus capacity in Vancouver. I know in your hearings in the west some people have suggested to you that there is sufficient capacity. I, personally, do not subscribe to that view. I do admit that under ideal working conditions you can export 25 million bushels a month out of Vancouver. It is a year round port so that in a season you can export 300 million bushels. But we know that we run into weather conditions. We know that we run into labour difficulties. We have been talking a lot about interior terminals. I only wish I had been alive, or active, at the time those terminals were built, to have them located at a seaboard position. We need the reserve stock in positions to take care of these eventualities. When the new Sask. Pool terminal is completed at Vancouver I am hoping we will be able to go back again to the point where, in helping to merchandise these other grains, we can continue wheat shipments to Europe from that port.

Mr. STEFANSON: I have only one other short question. The Chairman may say that it is hypothetical but I will put it anyway. At the present time consideration is being given to raising the tolls on the St. Lawrence Seaway. If they are raised would not Vancouver become a more favourable delivery point than the lakehead?

Mr. MCNAMARA: At the present time, sir, I think to all markets of the world Vancouver is more favourable than any of the eastern Canadian markets in so far as export is concerned. Naturally, any time charges are increased, whether it is tolls or elevator charges, that affect the laid-down price of our wheat at destination, we do not like it. This means that we get that much less of a net price to return to the producer.

The CHAIRMAN: Mr. McNamara, you said "eastern Canadian markets", but you meant "eastern Canadian ports"?

Mr. MCNAMARA: Pardon me.

The CHAIRMAN: Before we proceed to the next questioner I have been told that the people at the back are having difficulty in hearing. There is a lot of conversation going on at the table, and that is making it more difficult for the tape machine to do a good job. I would suggest to those at the back that they bring their chairs up along the side here.

I will now call on Mr. Jorgenson.

Mr. JORGENSON: Mr. Chairman, Mr. McNamara has answered part of a series of questions that I wanted to ask in order to confirm a suspicion that I had. During the course of our investigations on the west coast we were assured by a representative there that there were sufficient facilities there to handle the crop. I am glad to hear Mr. McNamara say that in his opinion there are not, because this was my opinion, as well.

In his projections I understood Mr. McNamara to say that he anticipates that we will be increasing our exports abroad. If our facilities have been operating at peak capacity in the past how does he intend that we will be able to increase our exports with the present handling system? Indeed, during the last couple of years, with the sales we had to Russia and China, there were rumours to the effect that we had to turn down sales because of inadequate facilities. I will not ask Mr. McNamara to comment on those rumours, but how does he expect that we are going to be able to handle increased sales unless there are some major changes and an overhauling of our handling facilities?

Mr. MCNAMARA: The impression I was endeavouring to leave with the Committee, Mr. Jorgenson, was not that I was optimistic about a continuing increase in the volume of Canadian exports. We have been geared for 600 million bushels, which, with a 150 million bushel domestic requirement, requires a crop of 750 million bushels each year. I was trying to say that I am satisfied that the demand for wheat will challenge the producers' ability to produce that quantity over the next few years on current acreage.

I also think that the railways have made a marked improvement not only in power, with the use of diesels, but with the better equipment they are bringing out and better co-ordination of activities. They are working with us to co-ordinate their activities with the operation of their roads. We can expect a further improvement from the railways in the transportation field, as there has been a marked improvement in the last few years.

Really, my concern today is Canada's continuing ability to produce enough high quality wheat year in and year out to meet what I expect will be the demand for our grain.

Mr. JORGENSON: Of course, the production of grain is a problem over which the board has no control; but in the happy event that we are able to produce these quantities of grain, do you think the present facilities, not mentioning the railroads—the terminal facilities—that we visited at Vancouver this past week are geared to handle the amount of sales that you envisage?

Mr. MCNAMARA: No; I, personally, do not. I know that my views do not correspond with those of other people who are just as knowledgeable in this field as I am. But this is a year round port and I do not think it is practical to expect these terminals to operate on a permanent year round basis at the rate at which they have

been operating in recent months. That is why I would like to see additional facilities at the west coast.

There would be times when they would not be utilized to full capacity, but there are times, as there have been in recent weeks, when the railways could be moving more grain to those ports so that we could build up reserve stocks,. This would be very helpful to us if there is adverse weather or we encounter labour difficulties.

There is no doubt in my mind that the current movement and the future developing movement will be more related to a demand from Vancouver than be from the St. Lawrence and the Atlantic ports. We certainly have all the facilities we require along the St. Lawrence and in the Maritimes. I think the need for additional facilities at seaboard ports is in the Pacific coast area.

Mr. JORGENSON: During the course of our trip through the west we heard quite a number of suggestions from various organizations, all the way from doing away with the railways to pipelines.

Has the Canadian Wheat Board commissioned any survey, projected into the next 20 or 30 years, to determine not only what type of transportation and terminal handling facility we will require, but gathering system as well?

Mr. MCNAMARA: The answer is in the negative; we have not commissioned anyone to do this type of work. Although we have taken the initiative of suggesting to the federal government, to our Minister and to the Minister of Transport and the people in charge of the ports and transportation, that studies should be made to improve it.

The government has already commissioned private firms to investigate this possibility, particularly as related to movement to the west coast ports.

As I mentioned earlier we are working very closely with the railways. We are conducting very aggressive scientific studies ourselves on how the transportation not only of grain but of other bulk commodities to the west coast can best be stepped up. I am very encouraged by the efforts being made to improve the situation.

Mr. JORGENSON: That is fine.

I want to come back to this problem that we have been faced with on a number of occasions, particularly in briefs presented by various farm organizations, namely, the inclusion of flax, rye and rapeseed under the Canadian Wheat Board. As Mr. McNamara probably knows, one of the difficulties that the producers of flax face is being subject to the limitation of the quotas at times when prices are perhaps relatively good, and being unable to deliver, and then finding themselves in the position that when the quotas are open the prices have dropped. The board, or the government, or somebody, of course, gets the blame for that sort of thing. Is there some way that a pooling of prices on flax could be undertaken by the board?

Mr. MCNAMARA: I think that the views that I presented to the Committee last June on this are pretty clear. As the agent of the Crown, or as the marketing agency for producers, if Parliament decides to entrust us with this responsibility, we will certainly do the best job we can, and our operations will be along the lines of pooling. It is an entirely different operation from that of wheat, oats and barley.

I do not fully subscribe to the arguments that have been advanced to you that because it is necessary for deliveries of flax and rapeseed to be regulated it automatically behooves the Parliament of Canada to entrust this responsibility to the board. I think

that in years when congestion develops, as it has in the past and when we have produced large crops, it is not reasonable to expect, just because there is an open market prevailing on flax and rapeseed, that those producers should have the opportunity of utilizing the commercial facilities to the extent that they desire at any time they desire. I am not so sure that this would increase the delivery opportunities, because I am quite sure that without quotas they would soon find congestion developing at their local delivery point. We certainly could not allow the unrestricted movement of flaxseed and rapeseed to Vancouver, to the extent that the terminals out there were congested with oil seeds. We would find it impossible to take advantage of markets for other grains because the pipeline was clogged. Therefore, although I think this is the strongest argument they have advanced, after Mr. Rapp. . .

Mr. GUNDLOCK: Leave it on the record.

Mr. MCNAMARA: . . . Mr. Rapp was successful in getting it recognized as a grain, I do not subscribe to the idea that it necessarily follows that it has to be marketed under a pooling system such as we would operate.

Mr. JORGENSON: Thank you, Mr. McNamara.

Mr. WATSON (*Assiniboia*): Mr. McNamara, a good many of the questions that I was going to ask have been partially answered.

My first question pertains to the Moose Jaw elevator. I realize, as we all do, that the farmers are most interested in saving the 6 cents a bushel drop off charge that has been referred to as necessarily coming off the average price. We are all familiar with it. I believe there is a rumour that possibly three or four million bushels are going to be put in this elevator at the present time. I do not know whether or not this figure is correct. What is the reason for the wheat board using this elevator at this time when the quotas, generally, speaking of the southern part of Saskatchewan with which I am familiar, at the present time are basically five and six bushels per acre. I presume that immediately some of them will be going on to an eight bushel quota. What is the reason for the wheat board putting wheat in that elevator now compared to the last two or three years when we have had a bottleneck of wheat and were wanting to use this facility and it was not used?

Mr. MCNAMARA: There are two reasons for this situation, Mr. Watson. First of all, let me indicate to you that elevator agents have given us an estimate that producers have about 1,158 million bushels of grain that they would like to market. This compares with a total of 768 million that was delivered last year. In other words, we are back to the situation where, regardless of heavy exports and a record domestic utilization, there is going to be a considerable quantity of grain that cannot be delivered into commercial channels.

In the last few years we have not been using these interior terminals because the supply situation was such that we were confident that we could take practically all the grain off the farms that the farmers wished to deliver and move it to the lakehead and Pacific terminals without incurring this extra charge to the producers. We feel this year, with the surplus of grain produced, that the producer is entitled to market all the grain we can export, that is consumed in Canada, or that can be stored in commercial facilities within Canada.

Now, the timing of this movement had to be such that it would not interfere with our export commitments. The reason we have just recently ordered five million bushels

into Moose Jaw and five million bushels into Saskatoon, which is about the capacity of these plants, is that at the present time the lakehead is becoming congested. We have over 82 million bushels of grain in store at the lakehead at the present time. There are about 15 million bushels in transit to the lakehead. When these cars are emptied the lakehead will be congested and the railways will be confronted with a period of perhaps six weeks when there will be no movement to the lakehead at all. In fact, they have embargoes on shipments to Fort William today.

It would seem to us that the time was now right to utilize the equipment that the railways have available; and I might say that the Board of Grain Commissioners are not averse to our filling up these terminals for them; but the time is right to move this grain now.

We are moving a high grade wheat because, as I indicated earlier, we produced a very high quality crop. A lot of our sales in the first half of the year were sales related to grades that were produced previously, the low grades—the threes and fours. But there are many points in the west where Nos. 1 and 2 Northern wheat are predominating. We therefore intend to move this over-supply of these top grades into these facilities; and I would expect, depending on the quality of next year's crop, that this probably will be grain that we can leave in these facilities for some time, because it will not be needed for immediate market requirements. If this is the case it will reduce the cost of utilizing these terminals, because once you put it in the longer you leave it in the less expensive it is for you.

Mr. WATSON (*Assiniboia*): Thank you, Mr. McNamara. I am certainly pleased that the figure is going to be five million bushels, because I think the terminals are there to be used. I think your explanation was a very sound and reasonable one.

My next question also pertains to terminal elevators. You mentioned a little while ago that you felt that possibly there were not enough terminal facilities being built; that if they were going to be built they should be built at the coast. This brings up the Prince Rupert elevator which, as you know, has a capacity of 1,250,000 bushels. I believe that the new extension is going to have a million bushel capacity. When we were out at the coast on Monday we were looking at a ship there taking on approximately a million bushels. I believe some of the officials said—I am not sure whether it was shipped out of the Vancouver port or not—that one large vessel has now taken out something in the neighbourhood of three million bushels. I would like to have your opinion on whether or not the estimated capacity of the new addition to be built at Prince Rupert should be extended to possibly three or four million bushels? It is a terminal port. It is now a million bushel capacity. If one ship took a load out the elevator would be empty and certainly you could not utilize it by getting the grain in to get another ship in. Should it be three or four million bushels instead of the one or two as at the present time?

Mr. MCNAMARA: I would suggest, Mr. Watson, that this is a question that could probably be better answered by the Board of Grain Commissioners or the representative in charge of this terminal, who will be with you and who will know more about it.

My own feeling is that the workhouse is such that much more additional space than is contemplated at the present time probably would not be feasible with the unloading capacity that they have at the terminal and the workhouse and cleaning capacity.

Another factor that I think would affect the situation at Prince Rupert—although we as a board strongly recommended to the government that additional facilities be created there—is that this port is serviced only by the CNR. You can only ship to advantage from a comparatively limited area in Alberta and northern Saskatchewan. If I had to make a choice, and although I welcome the additional facilities at Rupert, I would rather see further expansion in the port of Vancouver which is serviced by both roads and where we can concentrate a larger volume of traffic.

At times we do experience difficulty in getting buyers to put boats into Rupert. Fortunately the Chinese are not averse to this but there have been times in our sales operations when we have had difficulty and have had to allow price discounts to influence boat owners to put vessels into Rupert.

Mr. WATSON (*Assiniboia*): Why?

Mr. MCNAMARA: Because they fit at Vancouver. They fit their boats there; and it is an additional haul if they are going to Europe.

Mr. WATSON (*Assiniboia*): Will the wheat that is being put into Moose Jaw and Saskatoon at the present time be cleaned so that it does not have to be cleaned when it is ready for shipment?

Mr. MCNAMARA: Yes, it will be cleaned by the interior terminals.

Mr. WATSON (*Assiniboia*): My next question, Mr. McNamara, is going to be a little blunt. It is a question that has been asked many times and no one ever gets a complete answer. The answer is always: This is somebody else's bady. Mr. Olson dealt with it at the beginning of the meeting tonight.

It goes back to the allocation of boxcars at the country elevators. There are many arguments why it should be done this way or that way, but invariably at a country elevator, where there are two, three or four elevators, the railways, regardless of the shipping orders—I have to say that there are shipping orders there; they have to have shipping orders to get cars—invariably drop off equal numbers of cars at the elevators. Why is it done this way? In my estimation the railways dictate to me and to the other farmers in western Canada basically what elevator we are going to haul to.

Mr. MCNAMARA: Well, I am pleased you have given me the opportunity of making this comment. I am afraid that I am going to be interpreted as being a great defender of the railways. There are many things in their operations that I cannot understand and which I think can be improved by further educational processes with them.

However, this question of the farmer's right to deliver to his own elevator, which I fully subscribe to, is being over-played in some parts of this country. As I indicated earlier, we have had heavy, heavy shipments. We have at times 30,000 orders in the hands of the elevator companies for Fort William and perhaps 10,000 for Vancouver. It is up to the management of these companies to allocate these cars to best advantage. Management often allocates them on a competitive basis, where they are fighting some particular company for business, and we find that some single points they operate are being starved.

This year, Mr. Watson, the railways have moved more grain out of country elevators than farmers have delivered since the 1st of August. The shipments out of country elevators today are 440 million and the farm deliveries are only 432 million.

If you analyze the space available in western Canada you will find that in many parts of the west there is an average of 30,000 bushels of unused space in country elevators as of today.

Now, I realize that there are certain points that are congested. I also realize that there is more congestion in Alberta than in other parts of the prairies; but we also find that some of the companies making representations to you about the inequitable way the wheat board is handling shipping orders are trying to put a volume of business through those facilities far in excess of their capacity as related to their competitors. There is one large company that has about 34 per cent of the available space and they are handling 45 per cent of the business, Under those conditions it is only reasonable to realize that they are going to be more congested than some of the elevators that have, say, 50 per cent of the space and are only handling 25 per cent of the business.

But you must keep in mind that in our distribution of these shipping orders we have now devised a system that reflects the business the company can develop over a period of time. We have a floating system where the business of each company develops within the province over a 12-month period; we drop a month and add the next month; that company gets that share of our shipping orders for that particular province. So that if company "A" is building its percentage up to 45 per cent it starts getting 45 per cent of the shipping orders. The initiative is on these companies to develop more business.

Possibly they need more facilities; I do not know; but I do think that the manner in which we are distributing our shipping orders to the companies is eminently fair, because it reflects their members' business, or other business that they can develop over a period of time. There has been a marked improvement in some of these producer-owned companies with respect to the business that they are originating since our system was put into effect.

Mr. WATSON (*Assiniboia*): Possibly what you say is quite true; but to go back to a year ago, or possibly two years ago, there was a critical situation with certain elevator companies. You referred to the companies that could handle more grain, or were handling the largest percentage; let us put it that way. This was possibly the elevator that I wanted to haul to, but as a result of the railways spotting cars—three at each elevator—the man not getting the business was getting the boxcars. He eventually ended up with lots of space and I, as a producer of grain, had to haul to an elevator not of my choice because he had the space. Then it gets to the point that perhaps all these elevators are doing reasonably close to the same amount of business; but it all comes back to the fact that the elevators dictated to me the elevator that I had to haul to.

Mr. MCNAMARA: May I suggest, Mr. Watson, that the management of the particular elevator company you are patronizing has some responsibility in this connection because if company A in Saskatchewan, which is getting 50 per cent of all our shipping orders, which is related to the amount of business that they are originating in Saskatchewan over a period of years, part of which time they have had ample space in the elevator—if it does not put into Assiniboia a share of its orders, contingent with the members' wishes at Assiniboia to patronize their elevator, they are starving your point in preference to some other point.

Conversely, if one of the private companies put in a larger percentage of cars ordered into Assiniboia, some other point on their line is being starved because they get

that share of orders related to the business that they have developed over a period of years. We use the Board of Grain Commissioners' figures in determining these percentages.

Management likes to blame somebody else, you know. In many cases the responsibility rests with management; and even in the distribution of cars—I know this from personal experience—if some of these companies would quit complaining to us and endeavour to have their travelling superintendents or officials work more closely with the local elevator agents I think a lot of these problems would be alleviated.

Mr. WATSON (*Assiniboia*): One more short question pertaining to delivery on permit books. The elevator companies are becoming larger. In certain places we have only one elevator now. Possibly in the next town we have another elevator of a different company, not at my particular delivery point. Can you see any change in the permit book system whereby we can have an open delivery point? Is there any complications that would rule this out?

Mr. MCNAMARA: I would say, to have an open delivery point would make it practically impossible for us to administer quotas. I think all we could do would be to have a level all over at three and go to four, because in the administration of quotas you have to know which producers intend to deliver to that point; what their acreage is and what volume of grain is likely to come in when you raise the quota. But, on your general question I am optimistic and I can see a revision in the system of permits whereby we can mechanize ourselves further. We can have permits and have the elevator companies prepare the documentation in such a way that we can scan it and put it through our machines. It would eliminate an awful lot of cost to us and would be much more efficient. We are actively exploring this possibility with the elevator companies. Progress has been somewhat slow but we are coming very much closer than we were a few years ago to a great improvement in issuing the permits and regulating and controlling deliveries, and putting the records into our machines will be a considerable saving to the producers.

Mr. WATSON (*Assiniboia*): If I gave you the wrong impression at the start, I am sorry. I did not mean to do away with it. When you referred to not knowing how many acres, I say we would still want the books exactly as they are. My acreage would be recorded there and you would still have all the statistics you needed. You would know where the wheat was and how much would be delivered, exactly the same as it is today, only you would not know whether I am going to haul to point A or point B.

Mr. MCNAMARA: That is my point, if we knew who, at Assiniboia, was signed up and how much was going to be delivered. But if you went to Piapot and delivered your 20,000 bushels it would upset all the calculations at Piapot. When we are going to raise the quota we have to know that so many acres at one bushel should bring in 70,000 bushels; we have a 35,000 bushel space and therefore we could afford to raise the quota. But if farmers were free to deliver to any point I do not see how you could operate a quota system as we operate it now. We have studied this considerably, Mr. Watson, but so far we have not been able to come up with a solution.

(*Translation*)

Mr. GODIN: In the Eastern provinces, when we want to make cereal purchases, we can choose between May, June, July, August, October, November. I imagine this method was valid when the winters were rigorous. Now that Winter ends as early as the

15th of April, can we expect a new policy, a March position for cereals offers, a little bit in the way the United States makes offers of corn.

(*English*)

Mr. McNAMARA: I do not know if I quite understand your question. Certainly as far as the board is concerned with feed grains we sell these basis in store the Lakehead and we are prepared to sell them any day during the year. They can be moved at the convenience of the buyer in eastern Canada. The reason that most of these feed grains move into eastern Canada is because it is much cheaper to move them by water during the period of open navigation. If you shipped all by rail the cost practically would be doubled compared to the water route. That is why the movement has been limited to the open navigation season. I do not know whether that was really the answer you wanted, sir.

(*Translation*)

Mr. GODIN: Now, the ships come to Quebec the 15th of April and our purchases are made for May and June. Could we buy in March, so as to take delivery from the first ship that arrives in April? Could we not step up delivery to be earlier than it was 15 years ago?

(*English*)

Mr. McNAMARA: There is no reason why you could not buy oats and barley today for shipment as soon as navigation opens on the first boat. There is no restriction on this at all.

(*Translation*)

Mr. GODIN: We are five months without an offer. If the March position does not exist, there a series of positions, May, June, July, August, October, November. If we were to buy three or four months in advance, in the month of October, could I buy for the following March?

(*English*)

Mr. McNAMARA: Yes.

Mr. PETERS: Mr. Chairman, as an easterner I have been impressed with one thing in western Canada and that is the wheat board's inability to make much change in the whole process over a great many years in terms of their operation except through streamlining. I was interested to notice at one or two of the elevators we visited some very new type cars being used industrially to haul potash and also on occasion to haul grain. They have a considerably increased capacity. Has the board given any consideration to the modernization of the whole operation of grain handling? You have mentioned that in your opinion the west coast facilities are not large enough. Has the board given any consideration to using the 22 million bushel capacity on the west coast—

The CHAIRMAN: Mr. Watson and Mr. Gundlock your voices are coming over that microphone.

Mr. GUNDLOCK: Well, it is a good voice, boy.

Mr. PETERS: As I understand it the capacity of the four inland terminals would be approximately 20 million bushels. Has the board never given any consideration to implementing a totally new system of handling the situation on the west coast so the

grain would go through the inland terminals, be dried, cleaned and graded for export the same as it is in the pool and other terminal elevators now, and by using the very up to date communication system the train would leave the pool elevator at Moose Jaw for the west coast and, using a totally different method of loading the boats, load directly from the train as it passed over a loading ramp? It seems to me that we have facilities that would double our capacity now but there appear to be vested interests in many fields that seem to eliminate the possibility of any new process being engaged in this industry. This does not appear to me to be in keeping with the advances that are obviously being used in industrial shipments in other fields.

Mr. McNAMARA: First of all, Mr. Peters, I would seriously question your presumption that the grain industry in Western Canada, which includes the board and the operating companies and terminals, has not kept in time with progress. We have doubled our exports. I think train is being handled probably more efficiently in western Canada than any other place in the world. That does not mean that we should not look forward. I tried to explain that although we are responsible for sales, we are not responsible for operation or transportation. We have made representations to the railways and to the government suggesting studies we believe should be contemplated. But I think the illustration you used would be a retrograde step because of our system of collecting grain at the present time. In western Canada we have 5000 country elevators scattered around that the farmers like to deliver to. You ask the railways to put cars into Mr. Watson's territory of Assiniboia, to load the cars, move them 100 miles to a government elevator and unload them. Then the grain is cleaned and moved out to Vancouver. To me it is much better transportation for the CPR to take those cars from Assiniboia and, instead of stopping at Moose Jaw and reloading some other grain, to high-ball it right through to Vancouver.

Mr. PETERS: This, of course, would probably be a difference of opinion. I cannot really see any difference in whether you clean the grain and get it into export shape in Moose Jaw or whether you do it in Vancouver, except that you would be doing it at a government terminal rather than doing it in a private operation. The unloading would cost very little money, I imagine, other than the ramp to be used for unloading to these boats. Obviously the boats are changing and the whole operation of transportation we service is changing. We find that some elevators are not equipped now to handle the boats that come in because of their obsolescence. It seems to me perhaps the board should be giving some leadership in at least considering this because I, like the Chairman, am of the opinion that we will probably keep increasing our volume of output over the next few years.

Mr. McNAMARA: I hope you will not interpret my remarks to mean that I am against progress and I welcome any studies of this kind that can be made. But there have been a lot of suggestions made in Canada that particularly we should be copying what the Americans are doing with special trains high-balling grain from Minneapolis and some of these points to seaboard. But our system of grain handling is not inferior in any way to the American system. I think we are much more modernized than they are. But it is a quite different system. One of the things I am most concerned with is the final return to our producers for the wheat they produce. That is why we have been averse, without improving our system, to incur larger operating costs.

Even if it were feasible as you suggest to take grain into Moose Jaw, have the government elevators clean it, take the benefit of the cleaning revenue, have the benefit

of the disposal of the screenings, we would find that the country elevator system now employed in western Canada would have to undergo some marked changes in its source of revenue. They tried to prove to us on many occasions that the country elevator revenue is not sufficient to warrant the expenses incurred. If it were not a tied-in operation with their own terminals they could not operate at the rates they are now operating to the benefit of the producers. I would seriously suggest to you that if we separated their terminal operations from their country operations we would find the country charges would have to be increased very substantially out of the producers pocket.

Mr. PETERS: I asked this question mainly because of an indication we had from, I believe, the Alberta pool that this year they are going to put in another 20 or more of the same type of hoisting opeartion they now have. It seems to me we should, perhaps, give some consideration to modernizing the whole transportation system now that the abandonment is going to make this necessary in certain areas anyway. We are going to have to change our system and probably truck transportation could be considered. The railways are now doing this themselves in certain instances. Maybe we should be giving direction. Rather than building 20 new elevators perhaps we should be starting to make the change that abandonment is obviously going to make in this housing unit which is really just an elevation operation for loading purposes. It is really a loading and unloading operation.

Mr. MCNAMARA: I think, Mr. Peters, if you had the opportunity of studying what the elevator companies are doing—the private companies as well as the pools and United Grain Growers—in consolidating facilities, in closing elevators and exchanging elevators, that you would be surprised at the extent which they are already moving in this direction. Certainly the Saskatchewan pool is with an investment now of $21 million in a new terminal at the west coast. The Alberta Pool are considering expanding their facilities and bringing in new cleaners. This is an indication to me that the companies are moving in this direction and that we are modernizing and keeping our plant up to date. It is probably not being done as fast as some of us would like, but there is a lot of work being done.

Mr. PETERS: It is no doubt a controversial subject—

The CHAIRMAN: May I say one thing to make it clear for the record. You intimated in your line of questioning that cars had been developed for the hauling of potash, hopper cars or cars that did not require any unloading equipment. I got the feeling that you mean: Why was this not developed for the grain industry, too? Mr. McNamara, you did not answer that question.

Mr. MCNAMARA: I feel the people who are entrusted with transportation and who know more about transportation are better equipped than I to devise the type of transportation most suitable to the movement of grain in line with a reduction in cost.

Mr. PETERS: Not necessarily. Obsolescence may be a very expensive proposition for the railroads, but it may not be in the interest of the farmer or the Canadian economy. You were unloading boxcars yesterday at the government terminal in what I would consider to be a highly amateur way. You have improved the operation so the man does not have to use a shovel but really the operation is the same. Certainly this is not modern. No one can indicate to me this is a modern way of doing it. It is less back

breaking than the shovel, but it is exactly the same proposition. We will leave that, I think, Mr. Chairman.

Mr. WATSON (*Assiniboia*): That elevator was built in 1914.

Mr. PETERS: Yes, I am sure the whole operation and the buildings the elevator companies are building are operations that existed 40 years ago. But we will leave that.

Mr. MCNAMARA: Let me make one point, though. Under our act we are a marketing organization. We do not operate any elevators. We are not unloading any cars. We are not operating any terminals. I suggest that responsibility for modernization should be dealt with by an organization more closely involved than the selling organization.

Mr. PETERS: It should be an agency of the government, considering this is a very important part of the national economy. What agency of government would you suggest should be the one to be giving the leadership in the modernization and upgrading of our ability to deliver the grain we have to the ports?

Mr. MCNAMARA: I could only give you a personal answer to this. I do not think it should be any agency of the government. I think industry, including the farmers' own companies, should be taking the initiative in this regard.

The CHAIRMAN: May I say one thing, Mr. Peters, for the clarification of the Committee. The potash companies did not accept the old cars. In marketing transportation is one of the most important things to me. If you do not have good, efficient transportation your marketing can fall down. Surely the wheat board can make a recommendation on transportation.

Mr. MCNAMARA: We have made recommendations, but again I suggest that when we were able to move out of our country elevators into marketing position over 800 million bushels last year, which is the largest quantity ever moved, that the transportation is not falling down.

Mr. PETERS: Mr. Chairman, I would suggest we are running very close to our maximum capacity. The system does not allow for any eventualities that may take place. If there is a strike in the port everybody screams. We have no margin for eventualities that will occur from time to time. I think you will agree we have pretty well reached our maximum. If we are going to increase this maximum we are going to have to change the system.

Mr. MCNAMARA: I am in complete agreement with this, particularly as far as the west coast is concerned, and that is why I advocate more storage facilities there because I know the railways could move more grain to Vancouver throughout the year if we had larger storage capacity. For the last three weeks the railways have had to limit their movement to Vancouver because we were congested. There was a strike out there as you know. If we could have utilized that period to build up stocks a lot of our difficulties would have been alleviated.

Mr. PETERS: May I ask a question about Churchill? I have not heard that group that periodically recommends greater increases through Churchill. But, I did hear a rumour that no grain movements are contemplated into Churchill until the spring. I am wondering why we do not utilize the winter period for hauling into Churchill so that

the crew up there can have the facility filled to the maximum by June 1 when the shipping season will start.

Mr. McNAMARA: There is no practical reason, as far as the board is concerned, why we could not be moving wheat into Churchill today. I explained previously that the lakehead is congested. But I suggest you visit Churchill—

Mr. PETERS: Not this time of the year.

Mr. McNAMARA: —at this time of the year and try to envisage filling that terminal up during the winter. Actually, a lot of play has been made about the decision of the board not to fill Churchill last fall. This in no way affects our sales potential. The fact is, when we finished a shipment we normally filled Churchill up at that time. But we needed grain in other positions so desperately then that we could not authorize the railways to move that extra five million bushels in at that time. But we can move it this spring. As soon as weather conditions permit we will be operating up there again.

Mr. PETERS: Am I wrong in saying this was the only shipping point in Canada that was not working to maximum during the shipping season? There were ships lying off the terminal for several weeks with no grain.

Mr. McNAMARA: At Churchill?

Mr. PETERS: I am just asking, I do not know.

Mr. McNAMARA: Oh, no. There was no delay at all in loading vessels at Churchill. The complaint received in that we did not fill the elevator with five million bushels of grain and leave it there until next August when the season at Churchill opens again. Of course, the National Harbours Board lost storage because we did not store grain at that time but the producers stored it. But that was not our reason for not filling it. The reason was that towards the end of September, when we would have started filling it because our shipping season was completed, we would have had to utilize railway equipment that we desperately needed to move grain to Vancouver and the St. Lawrence where we had boats waiting.

Mr. PETERS: I have just one last question which is perhaps another nasty question. What is the relation of the Canadian Wheat Board going to be to the eastern feed grain agency?

Mr. McNAMARA: I hoped I had made our position very clear when I met the Committee last. At that time the eastern agency was being considered by Parliament. We regard the eastern Canadian market as our most important outlet for our coarse grains and our low grade wheat. As in the case of every other market we are very anxious to merchandise grain into that area in accordance with the wishes of the buyer. When the eastern feed grain agency is set up we will be pleased to deal with them. We will co-operate with them. We will not give them any special price consideration but we will work with them the same as we work with buyers in any other important market that utilizes our grain.

Mr. PETERS: You anticipate them only being another broker?

Mr. McNAMARA: I beg your pardon?

Mr. PETERS: As far as purchases are concerned.

Mr. McNAMARA: I do not know what powers will be authorized by the government, whether they will purchase or be just a supervisory organization. I am not sure.

But, in either event, you can be assured the Canadian Wheat Board will endeavour to make our feed grains available to them for local distribution in the manner they prefer, but at no special concessions.

Mr. PETERS: Do you contemplate—nobody really knows—a disruption in some of the eastern facilities that are now being used by the wheat board—for example, Collingwood, Prescott, Baie Comeau—for grain storage that will be under the agency rather than wheat board control?

Mr. MCNAMARA: Yes, probably there will be. Originally, practically all those terminals were built by taxpayers' money for the export of Canadian grain, but in recent years they have been utilized more and more for the handling of domestic feeding grain requirements. We cannot complain about that because, as I said, this is a good market for us and for the handling of American grains through these elevators. Fortunately the movement and the demand for the west coast has lessened our interest in the St. Lawrence as an export outlet. Probably we have not been hurt to any great extent as a result of these developments, but certainly, as the eastern domestic market develops and they utilize terminals which were built for export—which I do not think are suitable; they are not first-class domestic distribution houses—it will affect our ability. In Quebec, for example, we have to close out about the end of October and we cannot utilize that facility for storage for export grain during the winter. The same applies to Prescott and to a considerable extent to the port of Monreal. We find the requirements of the domestic feeder is such that we cannot utilize those elevators for large blocks of wheat for storage for early spring shipment to the extent that we could a few years ago.

Mr. PETERS: Is hardship being worked on the board in its marketing program, particularly in the case of Montreal and Baie Comeau, where there is a possibility of a much extended season than previously in terms of having grain in position for export purposes?

Mr. MCNAMARA: I cannot, in fairness, say it has been a hardship worked on the board. We have had to reroute stocks to different ports in the St. Lawrence and concentrate on ports such as Baie Comeau for the export movement to a greater extent than we would normally have done if part of these elevators had not been utilized for domestic storage. On the other hand, this movement is controlled by the Board of Grain Commissioners who have given us their assurance they are watching the situation and they will not allow this movement or the movement of American grain through these ports to hinder our export movement. If we get into difficulty they will hear from us.

Mr. RAPP: Mr. Chairman, I would like to have Mr. McNamara's opinion on a question. It has to do with the name of the board itself, namely, the Canadian Wheat Board. At one time the Canadian Wheat Board handled only wheat and now some other grains are under the jurisdiction of the Canadian Wheat Board. Also you handle rapeseed and, perhaps, other grains. The reason I think the name is not descriptive enough is because there are some places where it will be misinterpreted. This year when I visited eastern Europe I was asked whether the Canadian Wheat Board handles only wheat or whether it handles other grains also. I have in mind to put a motion to have the name changed. I would like to have the name changed, perhaps to Canada Grain

Board. It is more descriptive of the function of the Canadian board and it would, perhaps, serve a better purpose in countries which deal with Canada as far as grain is concerned. As I said, this question was asked in eastern Europe. For some reason or other I think the people do not know that the Canadian Wheat Board handles more than wheat. I would like to have your opinion on this. If you do not care to express an opinion, I will not be offended.

Mr. McNAMARA: All I can say, Mr. Rapp, is that a rose by any other name would smell as sweet and I hope we would smell just as sweet in the eyes of the world as we do now in being called the Canadian Wheat Board. I assume this developed from the pool organizations calling themselves wheat pools, but handling all grains. The Australia Wheat Board merchandizes only wheat. There is an Australian Barley Board which is a separate organization. But, I am surprised to hear you say that in your visit abroad you ran into people who do not realize we also are interested in marketing Canadian barley and oats and that we are also interested in doing what we can to market flax, rapeseed and develop business generally for Canada in these markets. As I say, I never thought about changing our name.

Mr. RAPP: How about Canada Grain Board?

Mr. McNAMARA: I do not know. In a commercial organization if you have a product that is well known in the world, whether it is White Rose flour or something like that, you try to capitalize on your reputation. I am just vain enough to think the reputation of the Canadian Wheat Board throughout the world is such that we should continue to capitalize on it.

Mr. MUIR (*Lisgar*): Mr. Chairman, I would like to ask Mr. McNamara how much grain was transferred to the crop year 1966-67 in closing our 1965-66 grain pool.

Mr. McNAMARA: The 1965-66 crop year? I regret very much, Mr. Muir, to have to apologize to you. I do not think this is an information I should give to this meeting at this time. This has not been submitted to Parliament yet. Until our report has been dealt with I do not think I should disclose a figure of that nature.

Mr. MUIR (*Lisgar*): I will accept that because I did not realize it was confidential. Well, let me put it another way. You do know how much you transferred to the 1965-66 pool from the previous one. I do not want you to go back too far but I think you have the figures.

Mr. McNAMARA: Yes, we can give you that figure.

Mr. MUIR (*Lisgar*): It opens up another question.

Mr. KRISTJANSON: Ninety-six million bushels.

Mr. McNAMARA: How much?

Mr. KIRSTJANSON: Ninety-six million.

Mr. McNAMARA: Ninety-six million bushels were transferred.

Mr. MUIR (*Lisgar*): Ninety-six million bushels were transferred to the 1965-66 pool? What was this grain priced at in the transfer from one pool to another?

Mr. KRISTJANSON: It is in the supplementary report on page 2. The amount transferred was 96 million bushels from the 1963-64 pool to the 1964-65 pool. As I recall, the transfer was made at the price in effect on the day the transfer was made.

Mr. MUIR (*Lisgar*): Just for the information of the Committee, how does the transfer from one pool to another take place? You transfer, say, 96 million bushels from one pool year but it may be 150 million in the next pool year. How does this affect the individual producer's earnings over an average of years?

Mr. KRISTJANSON: As long as our judgment is right on the price at which it is transferred there should be no problem.

Mr. MUIR (*Lisgar*): The producer would gain if the price was right?

Mr. KRISTJANSON: If we sold it at a higher price than the market price on the day of the transfer, then there would be a net gain to the next pool.

Mr. MCNAMARA: On this question, Mr. Muir, there is nothing in our act that confines us to transferring at the market price. In some of our pools we have taken into consideration the market outlook for the grain. We have allowed a margin in the transfer to offset a possible decline in the price before it was merchandized. In the case of the coarse grain pools, where no carrying charges are received from the government, we make an allowance for carrying charges in the transfer based on our judgment of how long it will take us to sell it and get it out of commercial storage. There is nothing in the act that confines us. It is a question, as Dr. Kristjanson said, of our judging what that oats, or barley are worth at the time of the transfer, taking these other factors into consideration.

Mr. MUIR (*Lisgar*): Now that you have transferred from one pool to another, have you sold any grain to non-participating nations over the IWA ceiling price? Have you ever sold any?

Mr. MCNAMARA: We have in the past. A number of years ago we had what you might call a class 2 price which is a price at which we could sell to non-IWA customers above the ceiling of the then IWA. But in recent years we have not been able to sell to anybody at a price in excess of the IWA maximum.

Mr. MUIR (*Lisgar*): You would agree that a low price ceiling actually would establish the maximum export price? I mean, if you had a low ceiling that would be the maximum price?

Mr. MCNAMARA: Under conditions that have existed in recent years and in the foreseeable future, I am concerned that with the number of nations participating in the IWA and the number that will, possibly, participate in a new cereals agreement under GATT, the ceiling as prescribed in that document will become a very effective ceiling. When you are negotiating, say, with China, that is very aware of the regulations it is pretty hard to sell to them at a price higher than you are selling to other customers.

Mr. MUIR (*Lisgar*): Why was the class 2 price dropped? There must have been some reason this was done.

Mr. MCNAMARA: I think the ceiling at that time was $1.98 in Canadian funds—I am not too sure of that figure—but the world demand for wheat dropped and we could no longer sell our wheat to IWA countries at the ceiling. We were offering wheat and desperately looking for markets at prices below the IWA ceiling. That is why it dropped. It became an unrealistic price.

Mr. MUIR (*Lisgar*): In other words, there is no reason for a class 2 price to exist? I was interested in the port of Churchill for at least two reasons. We like to know from year to year how much is exported through that port and whether the business in the port is growing, or whether you have reached a maximum. This information probably is in your supplementary report, but how much grain did you ship in 1965-66 out of Churchill?

Mr. MCNAMARA: Twenty-two million bushels, slightly below the record achieved the previous year.

Mr. MUIR (*Lisgar*): The elevator is empty now, is it not?

Mr. MCNAMARA: We have about 800,000 or 900,000 bushels in it.

Mr. MUIR (*Lisgar*): Is there any repair work being done on the machinery?

Mr. MCNAMARA: I understand there is, yes.

Mr. MUIR (*Lisgar*): That is a question for the other board, I am sorry. Perhaps you could tell the Committee the differential in the price at Vancouver, Churchill and Fort William.

Mr. MCNAMARA: The differential at Churchill varies from year to year depending on the interest of buyers in taking grain out of that port. In recent years when we opened up on our sales through Churchill, we indicated to the trade and the world at large that we were prepared to accept orders for Churchill and asked them to bid for the wheat. I think last year, in the case of No. 2 Northern, we were able to get a price of about 7 cents a bushel under the St. Lawrence price which, in turn, works out to a premium over Fort William of about 8½ or 9 cents a bushel. On the No. 3 Northern I think the differential was about 8½ cents under. So the Churchill price is always related to a discourt under the St. Lawrence asking price, it being recognized, or of course, that the buyers have to pay a higher freight rate to go to Churchill than they do to the St. Lawrence.

At Vancouver the price has fluctuated. We have had premiums ranging, I believe, from 9 cents a bushel over Fort William to the current level of about 4 cents a bushel over Fort William which is the premium on wheat we are realizing now out of Vancouver. The reason for this fluctuation is the change in the ocean freight rate structure. A buyer in the United Kingdom checks Vancouver and the St. Lawrence ocean freight and we take as much as we can at Vancouver, trying to keep the Vancouver price about at the same level as the St. Lawrence price. So that accounts for the fluctuation that has prevailed.

Mr. MUIR (*Lisgar*): Mr. McNamara, everyone knows this has been a high grade crop this year. Do you expect to be able to meet your low grade commitments to China?

Mr. MCNAMARA: There is one more boat to leave with low grade wheat for China and I am happy to say that the stocks are at least in sight to complete it. We were successful in making arrangements with the Chinese, when the new contract covering high grade wheat was negotiated just recently by my colleague Mr. Lawrie, to do some switching between boats for the old contract and put the old boats in to take some of the high grade wheat. But we have just about finished our old commitment to China and we have completed all our commitments of low grade wheat to all other buyers.

Mr. MUIR (*Lisgar*): They are willing to defer some of the shipments of low grade wheat, is that right?

Mr. MCNAMARA: That is right. They are taking some of the high grade wheat in boats that were originally scheduled for the low grade wheat. There is only one more boat to go.

Mr. MUIR (*Lisgar*): If you were caught in a position like that where you could not make this sort of deal, would it be feasible to draw low grade wheat from east of what is unually the Vancouver orbit? Would it be feasible to do that?

Mr. MCNAMARA: Oh, yes, because even at the premium of 4 cents we are enjoying now that means we can go about 7 cents a hundred against the differential and still break even.

Mr. MUIR (*Lisgar*): Thank you, Mr. Chairman.

Mr. DANFORTH: Mr. Chairman, I would like to direct a question to Mr. McNamara. I would like to preface my question, Mr. McNamara, by saying that I have always admired the manner in which you have answered our questions which certainly illustrates a very intimate knowledge of the business. This Committee, I think, felt in Ottawa that all the Canadian facilities for the transportation, storage, cleaning and loading of grains at our ports had been stretched right to the ultimate to put out the record number of bushels that has been done. I think we have had the feeling that if there were the least amount of break-down or sag in the efficiency anywhere along the line that we would be in trouble. I would like to be perfectly fair, Mr. McNamara, by adding one other fact that you have given this Committee. I think I am stating what you meant when you made this statement, that in your considered opinion you were more uneasy about Canadians producing the amount of quality grain necessary to fill our commitments than having too much high quality grain to sell.

I think this is the indication you gave to the Committee. I am prepared to accept that because of your knowledge of the trade, but let me deliberately try to put you and your associates on the spot, Mr. McNamara. We have heard evidence of the development of new types of grain; we have heard that the average yield of barley has increased tremendously; we know the use of fertilizers is gaining tremendous momentum; we know that more summer fallow is deliberately being planted to grain. So, we could conceivably come up with a lot more grain to sell. Now, my question to you, Mr. McNamara is this: If the crop indications were there, and if the Minister of Trade and Commerce indicated to you that based on the information given to him he was able—I use this figure—to sell 200 million more bushels of grain than the best delivery we have had from Canada, in 12 months time, what recommendations would you give to the government? Would you say we cannot handle it? Or would you say, certain factors would have to be changed or be at an optimum? I think basically this is what the Committee is after. I am wondering whether you are in a position to give us some light. We know there is going to be an increased capacity on the coast but it is only, if we understand the figures correctly, approximately 5 million bushels at the west coast ports. You said this will, perhaps, be the most important terminal for overseas shipments rather than east coast ports and the Great Lakes, and I am prepared to accept this. But, certainly a 5 million bushel increase in capacity is going to be of very little concern when we could deal.

Mr. McNAMARA: That is 50 million bushels in a year.

Mr. DANFORTH: Yes, but production has increased in the last four or five years from 300 million bushels to 550 million bushels, which is a 200 million bushel increase. I would hope that we could increase production another 200 million bushels in the next two or three years which, compared to a billion and a half bushels produced in some other countries, is just a drop. But, I am wondering, could you give any indication, because I am certain you have considered it, what the recommendations would be? Would the railways have to modernize immediately? Would we have to have a tremendous increase in cleaning facilities? Where would you start? What would you recommend?

Mr. McNAMARA: I think, Mr. Danforth, you are really getting out of my field. I know something about marketing grain but I am not an agronomist. But I question a lot of the premises on which you are basing your questions. I grew up in Saskatchewan. I knew the dirty 'thirties. I know the acreage potential in western Canada is limited. It cannot be expanded, on the basis of what the Americans can change, by 50 or 60 million acres a year. I do not think there is much possibility of increasing the acreage in Canada. Now, last year we enjoyed a yield of about 28½ bushels an acre. I do not believe the great proportion of that was due to fertilizer. I think it was nature and rain at the right time that produced it. Our long-term average is about 16 bushels an acre. So, I question whether year in and year out, even with better technology on the farms and the use of fertilizer, Canada can produce crops that will allow us to export in excess of 600 million bushels which we indicate we are capable of doing and, at the same time, provide 150 million bushels for domestic use.

Our average crop over a considerable period of years, I would guess, would be about 500 million bushels. When you are setting your target for export and domestic utilization at 750 million bushels, I am afraid that a production in excess of that figure will reduce the quality of wheat. We could grow more wheat, and maybe a situation will develop in the world where quality will not count. It will just be food that will be needed. But, to merchandize and get a premium for our farmers over the wheat that France, the United States and even India and China can produce, we have to have quality. I think it would be a very backward step for our planners, our scientists and our plant breeders to develop only in quantity. I think quality is very closely aligned with our sales objective and our price objective. I am sure we could not be getting the price we are now securing for Canadian wheat over and above what our competitiors are getting if it were not for the quality factor and the rigidity of our Canadian system of grading.

Mr. DANFORTH: I am not confining my premise strictly to wheat. I would like to add another factor, but I am certainly not going to belabour this. We were given the figure—if I remember correctly—of 6 million acres in one province in summerfallow that could very well be put into grain in the near future. Well, if my figures serve me correctly, an average of 20 bushels would give you another 120 million bushels of grain right there, and in my own particular area, the increase in corn and soybeans could conceivably be from 30 to 50 million bushels. Now, these two figures together account for almost 200 million bushels.

Mr. McNAMARA: Again, I must plead ignorance. I am really not equipped to answer these questions you are posing on an intelligent basis. As I say, coming from

southern Saskatchewan, I think one of the greatest mistakes those producers in that area could make would be to abandon summerfallowing, because the yield from summerfallow in those areas is four or five bushels an acre better than it is on stubble. I am afraid we are beginning to live in a world where we believe the weather has changed and we are going to have ample rainfall, and with fertilizer we are going to get our production up to a billion bushels. I, personally, do not subscribe to those views.

Mr. DANFORTH: Mr. Chairman, I realize there are others who want to ask questions and I will be very brief. Perhaps I have not been very fair, Mr. McNamara. I will try and get at it in another way. When the Minister anticipates sales, does he communicate with you and ask your advice on it?

Mr. MCNAMARA: This is a rather embarrassing question but I will have to answer it the way I always do, honestly. Ministers do not get the inquiries or make the sales, the Canadian Wheat Board does. At times we have to go to the Minister or to the government for assistance in financing but the business is secured by the Canadian Wheat Board and its agents in practically all instances. Minister do not come to me and say: We can sell another 200 million bushels. I go to them and tell them: We have a potential; can we have certain facilities to enable us to sell it.

Mr. DANFORTH: Oh, I am just delighted to hear you say that, Mr. McNamara. Now, we will get back to the original question. What do you need to sell an increase of 200 million bushels in transportation and storage facilities?

Mr. MCNAMARA: Well, you need many things. You need markets. Mr. Lawrie explained to you how world production is increasing. While we are optimistic of the future over-all demand for wheat, it is not just a case of saying: We have an extra 200 million bushels in Canada; here, world, come and take it.

Mr. DANFORTH: I realize that, Mr. McNamara, but I am also aware of the tremendous drop in the carry-over of United States supplies. If we could produce the grain we could conceivably have such a market. I am not too interested in the mechanics of selling, I am interested in how we stand in meeting commitments. I thought perhaps you would be in a position to indicate this. I am wrong, should these question be directed to the Board of Grain Commissioners

Mr. MCNAMARA: So far as commitments are concerned we are responsible and we have never failed to meet our commitments. It is true that in circumstances beyond our control, such as strikes and things like that, we have had to dealy delivery in some instances, but we have always lived up to our commitments.

Mr. DANFORTH: I am glad to hear that, Mr. McNamara, and I do not doubt it a bit.

Mr. MCNAMARA: Dr. Kristjanson has a point he wishes to make.

Mr. KRISTJANSON: On the question of whether we could increase or how to go about increasing exports from 600 million to 800 million bushels, I think the answer is that the terminal at Vancouver is going to increase its capacity to 650 million bushels. If we were to appraise where we would want more facilities we would say, again, more facilities at Vancouver. But, I do not think it is realistic to think in terms of 850 million bushel exports in the foreseeable future because we have had five bumper crops in a row. This has never happened in the history of western Canada before. I think we are bound to get dry years and the average will come down.

Mr. OLSON: I hope it does not.

Mr. PETERS: We have not had such nice warm weather in years.

Mr. KRISTJANSON: I think after the depression years of the 'thirties and all through the 'forties people's thinking reflected that experience of the 'thirties. I think now we have had five excellent production years people are beginning to say: We do not need to summerfallow, and so on. On that summerfallowing point—taking 6 million acres and multiplying by 20—if you take 6 million out of summerfallow you bring the average production down on the other acreage. So, it would not be quite accurate simply to say: This is a net addition of 120 million bushels.

Mr. DANFORTH: I took a 20 bushel average because I thought the average was given as 28 bushels and this is quite a leeway, but this is just mechanics.

Mr. KRISTJANSON: Twenty-eight was made possible by the fact you had summerfallow. If you cut out the summerfallow you bring that average down so I think you cannot make a net addition.

Mr. DANFORTH: One last question and then I will pass, Mr. Chairman. It is a brief one. If I understand the answers given to my questions, it is the opinion of the wheat board that we have just about reached our limit in sales.

Mr. MCNAMARA: As related to our production capacity.

Mr. DANFORTH: In other words, then, our transportation, our storage, our production, everything now, in the opinion of the board, has just about reached the end of the line?

Mr. MCNAMARA: Well, I suppose you have got me in a position where you are going to make me a tired, old, discouraged man with no vision for the future at all. I am trying to be practical and give you practical answers under conditions as I see them. We do not know what the future will hold and I would hope it can be improved, and I am certainly not against progress.

Mr. DANFORTH: I pass, Mr. McNamara; you have been very patient.

Mr. GUNLOCK: I would like, Mr. Chairman, to commend Mr. McNamara, and you, sir, as the Chairman. I think you have done a wonderful job—on me in particular. In view of the answer to the last question I rather doubt I have any questions left Mr. McNamara. In discussing earlier the operation and use of the inland terminals I think you stated there would be some difference in the qualifications to the producer in using the inland terminals. In other words, if I understood you correctly, you said it would cost the producer more. I actually have asked a question in the House and I ask it again. You referred—and we have heard this on our trip this time—to the cost being increased by 6 cents a bushel. Well, to the co-operatives or grain handlers that might be so. But, the question I asked before is: Why not designate these inland terminals delivery points? This, in my estimation, would do away with that 6 cent cost.

Mr. MCNAMARA: I would agree with you, sir. If you could get the producers, say, at Lethbridge to patronize that elevator the cost of stop-over elevation charges would be saved and that terminal could be used. That terminal has been there for a number of years. I am quite sure the Board of Grain Commissioners would have welcomed anybody that was using it. Probably this is one of the solutions. We considered this. It has been advocated and under some study. But at times when transportation is tight, if

you could get the producers to utilize those interior terminals as primary delivery points it would offset many of my arguments against the use of them now. We have had arrangements where some of the companies put their own grain into those interior terminals and then moved it out, and they financed it while it was there. This worked to advantage in the past.

Mr. GUNDLOCK: This does entail the extra cost?

Mr. MCNAMARA: Yes.

Mr. GUNDLOCK: But if they were designated as delivery points, this would eliminate that handling cost?

Mr. MCNAMARA: Yes, but I think you would have to make a practical study of it. If I were with the Board of Grain Commissioners, for example, operating those facilities I would want to have some assurance of the volume of grain I could attract into that terminal before I would go to the expense and consideration necessary to operate it as a primary delivery point in competition with all the nearby elevators closer to the farmers' delivery point.

Mr. GUNDLOCK: Well, then, in your experience and in relation to some rail abondonment and so on, do you feel—particularly with the experience of the quotas, and I am referring actually only to last year—that there would be in any problem in utilizing the space available in the inland terminals?

Mr. MCNAMARA: It is difficult to answer. I think in a situation like last year's they would deliver more readily to those terminals than they would in years when there is space closer to their own farms. But the fact remains, if those terminals had been there the Board of Grain Commissioner would have welcomed grain being put into them and the companies, including the farmers' own companies, have not seen fit to utilize those terminals.

Mr. GUNDLOCK: That brings up the final question, then, in my opinion, Mr. McNamara. The Board of Grain Commissioners tell us this would be just fine except they are not equipped to unload trucks. Now, that would not be a very expensive operation to my mind. That was the answer, as a matter of fact, to that question in Vancouver.

Mr. MCNAMARA: I agree with you to this extent: I think as we get in to railway abandonment and as new facilities are constructed in western Canada we will not find the smaller houses at so many isolated points. There will be a tendency, as has developed in the United States, to concentrate on the bigger houses and if I were working for some of these big co-operatives I would like to see them buy interior terminals and use them for the purpose you described. Eventually, I think this will come.

The CHAIRMAN: I do not know whether you know it, Mr. McNamara, but on the way to Moose Jaw yesterday we were ready to give that elevator to the pool for a dollar.

Mr. MCNAMARA: What was that?

The CHAIRMAN: I said, we were ready to give the elevator at Moose Jaw to the Saskatchewan Pool for a dollar yesterday until we found out they were going to use it.

Mr. GUNDLOCK: Maybe they would not take it.

Mr. McNAMARA: Then you found out we were going to put 5 million bushels in it.

The CHAIRMAN: Yes.

Mr. GUNDLOCK: With that use, certainly a truck unloading facility is not expensive. Even the Committee, in this short trip, has realized that.

Mr. McNAMARA: We do not operate facilities. The Board of Grain Commissioners do and I think you will find in your discussions with them that they are very active in exploring possibilities for the better utilization of these terminals.

Mr. GUNDLOCK: The point I really want to make on the inland terminals has reference to the statement you made earlier that it would cost the producers something, but to me the saving in the first instance would be more. In other words, if it cost them less in the first place—

Mr. McNAMARA: There is no doubt if they could be used as primary delivery points and we could control the type of grain in store at Lethbridge, Moose Jaw or Saskatoon without having to utilize railway equipment, without having to pay elevation, without having to pay stop-over, they would be very attractive as far as we are concerned.

Mr. GUNDLOCK: I have one more question on the inland terminals concerning their capacity. What is the capacity of these inland terminals, individually?

Mr. McNAMARA: I think it is 5 million at Saskatoon; 5 million at Moose Jaw; 1.6 million at Lethbridge; 2 million at Edmonton. Calgary is utilized because of Canada Malt and some of the distillers up there, and the fact that rapeseed is deliverable against the option at Calgary. There has not been too much surplus space in Calgary. But Edmonton, Moose Jaw, Lethbridge and Saskatoon have not been utilized. We have been utilizing Saskatoon to some extent for a reverse shipment for the port of Churchill.

Mr. GUNDLOCK: Do you have the figure for Lethbridge?

Mr. McNAMARA: I have them here; I am sorry. At Calgary the capacity is 2.5 million bushels. At the present time we have 1 million bushels in store. The Edmonton capacity is 2.35 million bushels and we have 486,000 in store. The Lethbridge capacity—they show 1.25 million but I think it is 1.6 million—1.25 million and at the present time we have 693,000 bushels in store. The Moose Jaw capacity is 5.5 million with very little in store. It is just starting to move in now. Saskatoon is 5.5 million and we currently have 575,000 in store.

Mr. GUNDLOCK: Mr. Chairman, I have just one short question. We have heard through all this about delivery problems in Vancouver, the Lakehead and Churchill and we were told, particularly in Vancouver, that within a very short period of time, maybe even two or three years, the export of potash as a bulk commodity, as I consider grain to be, would equal or even exceed grain exports. We were told by the National Harbours Board representative that we are faced with one thing, simply a two-lane highway through the Fraser Canyon.

We are faced with some problems of the same kind, going to the lakehead, in winter shipping, and so on, and the same situation in Churchill due to their particular problems. I accept this premise, particularly in Vancouver. We have been talking about Vancouver. Now, if we increase wheat, potash, lumber and coal exports and we still have

that bottleneck, that two-lane highway, would you then not think that we as producers, or as legislators, if you will, should put forth a suggestion that there be more development of the west coast ports, particularly Prince Rupert and Prince George? The thought I have in mind is to get away from this bottleneck in Vancouver and the only answer I can see is that you have to have an alternative to the two-lane highway through the Fraser Canyon.

Mr. McNAMARA: I am in complete agreement with these views. As a matter of fact, I think I reported to your Committee last June that in my humble opinion the attention of all the transport authorities and the federal government should be directed to providing for the west a much more modern gateway out of the west coast. I know potash is increasing, sulphur is increasing and coal is increasing. To use the words I believe I used last June, we need, for the west coast, a project similar to the St. Lawrence Seaway and what it provided for the movement in eastern Canada. How this can best be accomplished, I do not know. I do know the railways have made a lot of improvements in the loading of their trains and the switching and automatic signals and things like this. But with the potential for the movement of all commodities out of the west coast, including grain, potash and these other things, I think there is a major need for a much improved transportation system for moving these commodities to the west coast. This is our future market, not only for grain but for these other commodities we are producing in Saskatchewan and Alberta.

Mr. GUNDLOCK: You say, much improved transportation. Would you go so far, then, as to say alternate routes? I am thinking about Prince Rupert and Prince George.

Mr. McNAMARA: Yes, I would agree with that, so we can not get our bulk commodities from the west put into seaboard position.

The CHAIRMAN: I think I should inform the Committee that there are still several members who want to ask questions; Mr. Tucker, Mr. Nowlan, Mr. Schreyer, Mr. Forbes and Mr. Noble. Mr. Clermont has intimated he wants to question a second time. Mr. Olson indicates he wants a second question period.

I am going to tell you that as far as the Chair is concerned we are not going to hear from the Board of Grain Commissioners tonight. If it is agreeable to the Committee we are going to change our program and meet again here tomorrow morning instead of going on the tour of the wheat board facilities and the grain exchange. I do not think there is very much to see in the way of wheat board facilities, only a lot of offices and efficient people working diligently, machines working, IBM and so on. But we should, I think, see the grain exchange while we are here. I am not going to limit the people who still have questions to ask because some of them have been waiting most patiently. But if it is agreeable to the Committee we will hear the Board of Grain Commissioners in the morning here.

Mr. Parker from the Manitoba pool is having some difficulty. We had asked him to appear tomorrow night after eight o'clock and he has requested that he appear before the Committee earlier in the day. Now, we do not know what is going to happen with regard to that. We are trying to arrange for him to change places with one of the groups that is going to appear before the Committee. If this is agreeable to the Committee we will meet here in the morning and we will continue with our line of questions for whatever time you feel is necessary. Is this agreed?

Mr. DANFORTH: What time in the morning?

The CHAIRMAN: The regular time. We were supposed to leave here tomorrow morning at 9.15 a.m. We will meet here at 9.15 a.m.

Mr. OLSON: Will the board be back at 9.15?

The CHAIRMAN: The Board of Grain Commissioners. I have not asked Mr. McNamara if the wheat board is available but perhaps they would be tomorrow night. If Mr. Parker cannot be here and cannot switch his arrangement with one of the other witnesses, we will have free time tomorrow night after eight o'clock, but this depends on switching.

Mr. OLSON; There will be no free time.

The CHAIRMAN: I doubt that there will be, but there may be because we have only the Manitoba Pool and Mr. Molgat for tomorrow night after eight o'clock, according to what we have here. If those two appear and we fit Mr. Parker of the Manitoba Pool in somehow during the day, we may end up with only one witness after eight o'clock and we could let Mr. McNamara and his officials know earlier in the day. But I think we should finish the line of questioning with the people who have intimated they want to ask questions at this time. Those who want to question a second time could take their chances of availability and time tomorrow night. Is it agreed?

Some hon. MEMBERS: Agreed.

Mr. MCNAMARA: Our time is your time whenever you want us.

The CHAIRMAN: Mr. McNamara informs us that his time is our time and I want to make it known to the people in Winnipeg that committees are used to working these long days, so it does not make much difference to us. We are only worrying about an inconvenience to some of the witnesses here. It is not that we are worrying about ourselves.

Mr. TUCKER: In view of the lateness of the hour I am sure you will be glad to learn that most of my questions have been answered, but there are a few I would like to ask Mr. McNamara. First, I would like to know how our wheat exports compare in quality to those of other countries or our competitors; for instance, the United States and the Argentine? How does our quality stand up against our competitors?

Mr. MCNAMARA: We produce and deliver the highest quality wheat in the world. It is true that in the United States a lot of wheat is produced just south of the border that is quite similar to ours. But, under their system of marketing, their domestic mills are free to buy the type of wheat they want for the grist and the result is that most of the quality wheat produced in the United States is consumed within the United States. I say most of it, not all. I wish it were all consumed there because the quantity that is not consumed competes very directly with us and at prices that are sometimes difficult for us to digest.

Mr. TUCKER: Mr. Chairman, Mr. McNamara has emphasized our good grades. Is he satisfied with the present system of inspection of our wheat?

Mr. MCNAMARA: I would say, sir, that the greatest asset we have as a selling organization is the standard maintained by the Board of Grain Commissioners' inspection department on our export grain. Our quality is recognized all over the world and, in addition to quality, all the buyers I have come in contact with have complete faith in

the integrity of the Canadian grading system. It is a great advantage to us in our merchandising efforts.

Mr. TUCKER: It also guarantees we are working in Canada for that purpose.

Mr. MCNAMARA: This is a responsibility of the Board of Grain Commissioners, but certainly I say without hesitation that the method of grading and controlling the movement of Canadian grain is second to none in the world and it is recognized by every country in the world.

Mr. TUCKER: I would like to ask Mr. McNamara whether the relationship between the wheat board and the Department of Trade and Commerce is favourable?

Mr. MCNAMARA: We have been moving around a little bit the last few years and we are just back in Trade and Commerce. But, generally, the answer is yes. Once again, we find that the trade commissioners in the Department of Trade and Commerce services abroad are a very great help to us in the trade in merchandising wheat. We get co-operation from them. They act as our eyes in many foreign markets and they are a great advantage to us.

Mr. TUCKER: Mr. McNamara has emphasized that if further facilities are to be improved they should be in the west coast ports. I am interested in the east coast ports and I would like to ask Mr. McNamara whether he thinks the present facilities of our east coast ports are capable of taking care of shipments made from them in the conceivable future.

Mr. MCNAMARA: When you speak of the east coast ports, are you including the St. Lawrence or are you just speaking of the Atlantic ports?

Mr. TUCKER: I am including all of them.

Mr. MCNAMARA: Well, as you probably know, a large development is taking place in the St. Lawrence ports. One of the international houses—Dreyfus—already is constructing another big terminal. One of the other international firms—Bunge—it is rumoured, is going to build. A third international company is now giving consideration to additional facilities in the lower St. Lawrence. So, in so far as the St. Lawrence ports are concerned, I do not think there is any need for us to be concerned about the facilities that will be available to handle Canadian export grain and the volume of business we can develop out of that outlet. In so far as the Atlantic ports are concerned, the facilities are limited. But, of course, the demand from those ports is also limited, being confined mostly to the winter months.

But, in so far as the western producer is concerned, even at the east rates on which we move grain from the Georgian Bay by rail to the Atlantic ports, this is an expensive movement. It costs us about 6 cents a bushel more to put grain out of those ports than it does by moving it via the St. Lawrence ports on the all-water route. We save a portion of that, to a degree, because now we can move limited supplies to Halifax by water during the open navigation season. But, in a year like this when there are 36 million bushels being moved out of the Atlantic ports, there are only limited quantities we do not have to rail. My own feeling is that the demand for shipments out of the Atlantic ports is more likely to decline than increase, and it is only in times such as we have enjoyed in the last few years when we have had such a large volume of export business that it is worthwhile utilizing the Atlantic ports, sir.

Mr. TUCKER: Thank you, Mr. Chairman.

The CHAIRMAN: The patient Mr. Nowlan.

Mr. NOWLAN: Well, Mr. Chairman, my questions will be brief also. I would like to ask Mr. McNamara—this has been partly answered previously—about the facilities on the west coast. Certainly, some indication was given that it was not the facilities that were the limiting factor but other factors such as strikes, hours of work and the position of boxcars. I was just wondering with regard to that, has the board had in past, or does it intend in the future to have, any consultations with the authorities in any of the west coast ports with regard to the hours of work and type of employment, especially on basic, long-term contracts?

Mr. MCNAMARA: Before we enter into long-term contracts of the magnitude, say, of the Chinese sale or the Russian sale, we do have consultation with the railways on their ability to provide enough transportation to enable us to complete those contracts. But, as I said before, we do not operate any facilities ourselves. We do not operate any elevators or terminal elevators and we do not have any direct control over the transportation medium except through co-ordinating and co-operating with them. So, I am beginning to feel I am becoming very conservative, if I may use that word, in my views, but—

Some hon. MEMBERS: Hear, hear!

The CHAIRMAN: I heard one of the members say he thought the whole operation of the prairies, as far as the old elevators, and so on were concerned, was rather conservative.

Mr. MCNAMARA: I do not really know how I can answer your question, Mr. Nowlan. We consult people, we give the railways our transportation documents regularly. We keep everybody advised of our requirements. We meet with the terminal operators in Vancouver and other ports to indicate what we are trying to do. We solicit and secure their co-operation. But that is about as far as we have gone in this field.

Mr. NOWLAN: I was interested in that question because of what you said earlier this evening about expansion in the west coast ports. If you concentrate the expansion in the lower mainland area, are you not going to limit your options for these types of breakdowns in transportation communications, and that is why it is, perhaps nice to have options in the St. Lawrence Seaway, or the Atlantic ports or Prince Rupert?

Mr. MCNAMARA: It is pretty hard to get an option between coasts because the ocean freight varies so much.

Mr. NOWLAN: I am going to come to the coast in a minute, but there is no intention, at the moment then, for the wheat board to try to enter into arrangements with the authorities in shipping ports, and primarily the west coast, for contracts such as the Peace River and Expo, in effect, no strike contracts?

Mr. MCNAMARA: No, I do not think this is within the scope of the authority given to us under the act.

Mr. NOWLAN: As a matter of interest, when there is a strike, as there has been in Vancouver with longshoremen and then the foremen's strike, I would like to direct two questions to you in this connection if it is possible for you to answer. First, who is the cost of the strike directed to, or who pays for it, and how much has been involved in these strikes in the west coast ports in the last year?

Mr. McNAMARA: I anticipated there would be a question related to this demurrage and I prepared a short document. As soon as I find it, I would like to answer you, Mr. Nowlan. I think it deals with this matter in a fairly complete way and will answer your question.

Mr. NOWLAN: I must say, Mr. Chairman, while Mr. McNamara looks for that, since I was close to the mike I thought I was next on a point of order. I was quite prepared to reserve my questions until the wheat board appeared before the Committee in Ottawa with their annual report which is usually in February, is it not, or March, April or June?

Mr. McNAMARA: It was June last year.

Mr. NOWLAN: Well, since it is June and because your voice is starting to go and you have been on the stand for over three hours—

Mr. McNAMARA: I can fix the voice up shortly after I get out of here.

Mr. NOWLAN: I think we are all going to need that and it is going to be a form of wheat.

Mr. McNAMARA: I can read this if the Committee wishes or I can file it with you.

An hon. MEMBER: File it.

Mr. NOWLAN: As far as I am concerned it will be quite all right to file it. But it does indicate the cost and how much was involved last year?

The CHAIRMAN: Before we go any further, I think this should be printed as an appendix to our proceedings. Is it agreed?

Some hon. MEMBERS: Agreed.

Mr. McNAMARA: In dealing with your question of cost, this does not indicate what it has cost us because, as I said before, we are now dealing with the 1964-65 operation—not the last pool—and we have not filed our annual report. Most of the costs we have incurred in demurrage were incurred in the crop year for which our report has not been filed. But, at the time that report is being considered by the Committee, which I hope will be this spring or summer, we will be in a position to give details of the actual cost.

Mr. GUNDLOCK: You do, then, pay demurrage?

Mr. McNAMARA: Yes sir. When we default on a contract we are liable for demurrage.

Mr. NOWLAN: This is what I was going to ask. That cost, when it is finally calculated, actually goes back to the producer, does it not?

Mr. McNAMARA: That is right, sir. The only funds we have are producer funds and when we expend money it is for their account.

Mr. NOWLAN: The other topic I would like to question Mr. McNamara on is with regard to his mentioning the decline in the Atlantic ports and someone mentioning earlier the possibility of expanding markets. Certainly, in the DBS figures for the period 1960-65, there is a very noticeable decline in exports to western Europe and other western countries, particularly the traditional customers. In fact, there is almost a 25 per cent decline from 1960-65. I would like to ask Mr. McNamara the reason for this

decline and, perhaps answering my own question, whether it is because there has been so much concentration on the sales to China and the servicing of them, which have been tremendous, that there has been less interest in, and emphasis on trying to build up, the old traditional markets in Europe?

Mr. McNAMARA: There are two or three reasons for the decline in sales to our traditional markets. The first one is, as was mentioned before, the increased emphasis that has been given by the western European countries in the Common Market to self-sufficiency and their demonstrated ability to produce more wheat and food for their own requirements. We used to count on the western European markets, including the United Kingdom, for about 275 million bushels a year. There has been a marked decline in this. Part of this decline has been picked up by the United States and other competitors on a price basis. As I reported last June, in recent months we have noticed that our competitors have reduced their prices sharply. Now, one of the problems that has confronted us and which has caused us a lot of concern is that we have had to reach a decision on whether we are going to maintain traditional markets and sacrifice price that we can secure from other markets. It is just as simple as that. We have expanded our sales to new markets, and markets that some of our competitors are not prepared to compete in at the present time. We have been securing a higher price for producers than we could have secured if we had tried to meet all the competition we face in these markets from other supplies.

Mr. NOWLAN: So, as a result of the emphasis on new markets, the traditional markets have declined. At least, that has been one real factor.

Mr. McNAMARA: I would not say, the emphasis on the new markets. I think it has been our desire to secure the highest possible price, which has been possible in some of these new markets, to a greater extent than it has been in some of the traditional markets. But, I am not satisfied this is the whole answer. As you know, Mr. Nowlan, in the community they assess levies, and even though the prices are sharply reduced their levies would be going up. So, I believe these are dwindling markets for the future. The only reason we are able to maintain the amount of business we currently are doing is due to the quality wheat we are producing.

Mr. NOWLAN: Do you think that Africa is, perhaps, the next emerging continent that might be a large potential customer like China has been in the past three years?

Mr. McNAMARA: It is, but unfortunately for us the policy of our great neighbour to the south has been to finance the wheat shipments under their various PL480 plans and for this reason these people do not realize we want money for our wheat and that we have to have payments to live on. Our business has not developed in the African market to the extent the potential would indicate it can in the future.

Mr. SCHREYER: Mr. Chairman, I will forego all but two of my questions. I would like to make some comment with respect to the three year contracts that have been entered into between the board and mainland China. It is my impression, Mr. McNamara, that the commitments which the board has undertaken with respect to making volume available is a relatively rigid commitment; also, that the commitment is relatively rigid with respect to grades. What about price? Is there any degree of rigidity in that regard?

Mr. McNAMARA: First of all, the commitments are rigid with a tolerance, which is always allowed in contracts of this kind, with regard to quantity, but not for grades or

price. For example, when we entered into the long-term agreement with Russia last June, shortly after I had the pleasure of meeting you people, we entered into a commitment for three years to deliver 9 million tons. But, we only priced and determined grades on the quantity that would be shipped from August 1 until July 31 —the full year—for three million tons. We took a wide grade option. We actually said to these people, and we say to the Chinese: When you are buying such a large block of Canadian wheat you will have to take delivery of what is produced on our prairies and that determines the grade pattern.

Now, with China we suffered two years ago, as you may remember, adverse harvest conditions and frost. We had a large supply of low grade wheat which they were interested in buying and we committed ourselves to that particular grade. But in recent negotiations with China which Mr. Lawrie has just concluded, the Chinese had to purchase and did purchase high grade wheat from us. Most of our deliveries to China will be No. 2 and No. 3 Northern wheat this year.

Mr. SCHREYER: I take it, then, that under the aegis of the master contract that runs to August of 1969, specific annual contracts are negotiated with respect to price. Is that the way it is done?

Mr. MCNAMARA: Either annual or semi-annual; we have a say in that.

Mr. SCHREYER: Mr. Chairman, I have a series of questions but, as I said, I will forego them except that I would like Mr. McNamara's opinion—I suppose that is what I should call it—with respect to the function of the brokerage firms in the grain trade. I do not put this question with any ideological bias in mind, but really I am at a loss to understand the practical necessity for the intercession of the brokerage firm in cases of transactions between the board and a state trading agency purchasing for some buying country. I can understand the necessity, to some extent at least, for the brokerage firm's involvement in cases of transactions between the board and traditional customers, but what necessary role do they play with respect to transactions involving state trading agencies?

Mr. MCNAMARA: First of all, let me just refer to their assistance to us in our traditional markets and in other markets of the world—the in and out markets. They are one of the most valuable sales media we have. These international firms—and I do not like to refer to them as brokers; they are not brokers—act as principals and agents for the board. The large percentage of the traditional market business is developed by these firms through their international connections. We could not begin to duplicate the facilities they have all over the world with their connections; the other commodities they are dealing with; their foreign exchange reserves and the transportation they own and control. So, I think we have been most fortunate to have worked out a system whereby we are getting the full co-operation from these firms, Canadian as well as the international houses, that are acting as our agents. I do not regard their role in this capacity as brokers at all. They are acting more as agents and principals under contract with us.

Now, when you come to the state trading sales as with Russia and China, who are buying their wheat on a f.o.b. basis, there is a certain element of competition between the companies for these and the customers like to deal with these agents. In so far as we are concerned, we could f.o.b. the grain but it would mean we would have to set up

quite expensive facilities at the ports. There is a lot of documentation required and it is more economical and more advantageous for us to utilize the services of these organizations who have their offices in Montreal and Vancouver to look after this documentation work.

Mr. SCHREYER: Mr. McNamara, certainly it may be more economical to utilize the services and knowledge of these firms, but one could only determine that to one's satisfaction if one could get some data or figures indicating what range of commission these firms make with respect to these transactions. Now, if you are not at liberty or not prepared to indicate in a general way just what magnitude of commission these firms receive, could you a least tell how we could get this?

Mr. MCNAMARA: I can answer that very easily. They get no commission at all. We give them no allowance at all. We sell the grain in store or fob and the buyer pays for their services. It does not cost the western producer one cent under the system we have at the present time.

Mr. SCHREYER: It does not cost the producer a cent—

Mr. MCNAMARA: We do not pay any commissions. The services of these agents or brokers are secured in their transaction by the buyer, over and above the price we sell the wheat in store to the buyer. So, we are getting the benefit of these services without any cost to the western producer.

Mr. OLSON: Does the buyer take this into account when placing an order with Canada as opposed to some other nation?

Mr. MCNAMARA: Yes, and no. In the case of a contract with Russia, Russia is exporting and importing a lot of other goods. Many of these international houses are acting as their agents and you will find in some cases that the agent will take the contract from us and actually deliver it to the Russians with practically no margin at all, or even below our price because they are moving the same freight. It is their freight that is used in this two-way traffic and they are anxious to get the benefit of the goods which the Russians are shipping.

Mr. SCHREYER: Mr. Chairman, as I said, I will forego the rest of my questions.

Mr. NOBLE: Mr. Chairman, now that most aspects of wheat marketing have been exploited by previous questioners, to preface my question I would draw to Mr. McNamara's attention the fact that he has continued to stress the need for improvement in quality rather than an increase in quantity as an assurance of the success of the wheat trade for the future. I fully concur with this philosophy. The question is, can the wheat pool lay any claim to the improvement in the quality of our wheat? If so, can we continue to expect progressive improvement in our wheat quality, or am I wrong in this assumption and is the weather the big factor in this matter?

The CHAIRMAN: You said the wheat pool, Mr. Noble, do you mean the wheat board?

Mr. NOBLE: The wheat board. If I mentioned the wheat pool, I made a mistake.

Mr. MCNAMARA: I do not think the wheat board can take any credit for the wonderful job our plant breeders and other people are doing in developing new varieties, except to the extent that I try to praise them for the work they are doing by telling them what a great asset they are to us by bringing out these varieties. But our

plant products people and the scientists who are working on cereal development have made some magnificent achievements that certainly have helped us. I am thinking of rust resistant wheats and new varieties that are being brought out with better milling and better yielding qualities. I think Canada is to the fore in this. Probably I should have referred this question to my colleague Mr. Lawrie because he is associated, I believe, with one of the committees that are doing work in this regard. Would you like to comment on this?

Mr. LAWRIE: Mr. Chairman, I think Mr. McNamara has covered the matter very well. We cannot take credit for improvement of varieties, but we do make it possible for producers to deliver grain in order that they can purchase improved seed. I do think we help in that instance. As a member of this advisory committee, I can say we do consider quality and, as I think most of you know, any new varieties that are licensed must be equal to Marquis. A new variety was introduced a year or two ago that appeared to be a very good wheat. It was quality, and I noticed the other day that the yield is better than some of the older varieties. So, progress is being made all the time towards achieving improved quality, yield and disease resistance of Canadian wheats.

The CHAIRMAN: Is it the desire of the Committee that we adjourn at this time until—

Some hon. MEMBERS: Agreed.

The CHAIRMAN: That is what I like; a nice committee, so agreeable. We want to thank Mr. McNamara.

Mr. OLSON: I want to do that but also I want to invite him back. Could we make some arrangement now that if the Board of Grain Commissioners are here for two hours, the wheat board could come back Then they would not have to sit and wait.

The CHAIRMAN: We will make all the arrangements in trying to reschedule our program as early as we can in the morning. We will let Mr. McNamara and his colleagues know what time is going to be available for them so they will not have to sit here as we made the Board of Grain Commissioners sit tonight. I will try to plan our schedule so we know what we are going to do as soon possible in the morning.

The meeting is adjourned.

APPENDIX "I"

DEMURRAGE

FEBRUARY 9, 1967.

The question of demurrage is very involved. All of us in our every-day life are subject to penalties if we are unable to perform a contract. The Board also is subject to penalties under similar circumstances. Demurrage is a charge made by vessel owners if their vessels are delayed beyond a normal period of loading. The length of the normal period, the amount of the charge, and the question of who must pay it, are all matters of contract and vary considerably depending on the specific contract involved.

I would point out to you, for example, that just because a number of vessels are waiting to load grain does not necessarily mean that the Board is paying demurrage. In our contracts we have a clause that we can only be called for the wheat once a berth can be obtained for the vessel. If, therefore, all berths are already occupied by other vessels loading grain, there might be many vessels waiting without any demurrage responsibility on the Board. The contractual responsibility might be entirely different as between the owner and the charterer, but it is impossible to generalize on these matters.

If, however, we have entered into a contract to provide grain, and if the vessel owners can obtain a berth, and if we cannot provide the grain, then obviously we are in default and under these circumstances we must consider a demurrage claim. Each claim is examined, and often is then negotiated, on its individual merits and becomes a matter of very involved contractual law.

If the delays and the claim have arisen as a result of a strike, there are other aspects which must be considered. Most contracts have strike clauses which postpone the obligations of both sellers and buyers for the period of the strike. From the Board's point of view, the most serious problems normally arise not during the strike itself but in the weeks or months after the strike, when the back-log is still present and when the protection of a strike clause no longer applies.

There is sometimes a tendency to think that, if demurrage is being paid, someone is making money on it. This is not true. The vessel owner, from whom the original claim arises, is much more anxious to get his ship loaded and away than he is in collecting demurrage. The delay in loading his vessel at one port may involve him in consequent delays in other ports and possibly the loss of subsequent charters that he had already entered into. Delays resulting in demurrage, and the payment of demurrage, are therefore matters which make nobody happy and which have serious effects beyond their immediate impact.

Finally, there is one more thing I should say. Many people seem to think that loading delays and demurrage arise only because of strikes or because of shortage of box cars. This is not so. Such conditions can also arise from the large sales volume which we are enjoying these years. To enter into such large sales, and to utilize the physical handling facilities to their maximum, can obviously result in the risk of delays and consequent demurrage. The Board believes, however, that it is better to take on the sales and to take the risk. If it then turns out that demurrage must be paid, it is one of the costs of doing business and, in the overall, represents a small part of the total costs of operation.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-67

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 31

FRIDAY, FEBRUARY 10, 1967

MORNING MEETING *(Winnipeg)*

Respecting

The Annual and Supplementary Reports of the

CANADIAN WHEAT BOARD

for the Crop Years 1962-63, 1963-64, 1964-65

WITNESSES:

From the Board of Grain Commissioners; Mr. F. Hamilton, Chief Commissioner; Mr. W. J. MacLeod, Secretary; Mr. M. J. Conacher, Special Advisor, Grading; *From the Manitoba Pool Elevators;* Dr. W. J. Parker, President.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

25804—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Cadieu (*Meadow Lake*),
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Côté (*Nicolet-Yamaska*),
Mr. Crossman,
Mr. Danforth,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Gundlock,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*)
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. Madill,
Mr. McKinley,
Mr. Moore (*Wetaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stefanson,
Mr. Stfanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntington-Laprairie*),
Mr. Yanakis—45

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, February 10, 1967.
(42)

The Standing Committee on Agriculture, Forestry and Rural Development met this day at 9.25 o'clock a.m. in the Provencher Room of the Fort Garry Hotel, in the City of Winnipeg, the Province of Manitoba. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Cadieu (*Meadow Lake*), Clermont, Comtois, Côté (*Nicolet-Yamaska*), Crossman, Danforth, Forbes, Gauthier, Gendron, Godin, Grills, Gundlock, Hopkins, Horner (*Acadia*), Johnston, Jorgenson, Laverdière, Lefebvre, Madill, McKinley, Moore (*Wetaskiwin*), Muir (*Lisgar*), Neveu, Noble, Nowlan, Olson, Peters, Rapp, Ricard, Schreyer, Stafford, Stefanson, Tucker, Watson (*Assiniboia*), Whelan (36).

Also present: Mr. S. J. Enns, M.P.

In attendance: *From the Board of Grain Commissioners*: Messrs. F. Hamilton, Chief Commissioner; W. J. MacLeod, Secretary; V. Martens, Assistant Secretary; E. E. Baxter, Chief Statistician; C. L. Shuttleworth, Commissioner; A. H. Wilson, General Manager, Canadian Government Elevator; M. J. Conacher, Special Advisor, Grading; A. V. Svoboda, Commissioner; C. Hammond, Assistant Chief Inspector; Drs. W. Meredith and I. Hlynka, of the Research Branch.

From Manitoba Pool Elevators: Dr. W. J. Parker, President; Mr. Harold B. Sneath, Vice President; Mr. George E. Franklin, Director.

The Chairman reminded those present that committees were portions of the House of Commons and that this was a regular meeting at which all the rules and procedures applicable in the House of Commons be followed.

The Committee resumed consideration of the Annual and Supplementary Reports of the Canadian Wheat Board for the crop years 1962-63, 1963-64, 1964-65.

The Chairman called Mr. Hamilton. He introduced the officials who accompanied him and made a short statement.

Members of the Committee proceeded to question the witnesses.

Later, on motion of Mr. Peters, seconded by Mr. Moore (*Wetaskiwin*), it was

Agreed,—That the paper and maps on "The Grain Industry of Manitoba, Saskatchewan and Alberta", prepared by Barnett-McQueen Company Limited Engineers and Constructors, of Fort William, Ontario, be printed as an appendix to the Minutes of Proceedings and Evidence (*See Appendix I*).

25804—1½

Questioning continued, and later it was

Agreed,—That the officials of Board of Grain Commissioners be recalled at the 8.00 o'clock p.m. meeting, this day.

The Board of Grain Commissioners were excused and the officials of the Manitoba Wheat Pool were called. Dr. Parker was introduced by the Chairman and he, in turn, introduced his colleagues.

Dr. Parker then commented on the contents of the Manitoba Pool Elevators brief. It was

Agreed,—That the brief of the Manitoba Pool Elevators be printed as an appendix to the Minutes of Proceedings and Evidence (*See Appendix II*).

On motion of Mr. Muir (*Lisgar*), seconded by Mr. Horner (*Acadia*), it was *Agreed*,—That no questions be asked of Dr. Parker and his colleagues.

There being no further questioning of the witnesses, the Chairman adjourned the meeting to 2.30 o'clock p.m. this day.

Michael B. Kirby,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

FRIDAY, February 10, 1967.

The CHAIRMAN: Gentlemen, I will call the meeting to order and we will proceed. There is a whole group who are on their way here. We are only lacking one or two to make up a quorum. If the committee is in agreement with this, I will ask Mr. Hamilton, the head of the Board of Grain Commissioners, to introduce the people he has with him and proceed from there.

Mr. F. F. HAMILTON (*Chief Commissioner, Board of Grain Commissioners*): Thank you, Mr. Chairman. Good morning, gentlemen. The people with us this morning are Mr. W. J. Macleod, Secretary of the Board; Mr. Vic Martens, Assistant Secretary; Mr. Earl Baxter, Chief Statistician; Mr. Shuttleworth, Commissioner; Mr. Al Wilson, General Manager, Canadian Government Elevators; Mr. Jim Conacher, Special Adviser to the Board; Mr. Svoboda, Commissioner on the Board; Mr. Hammond, Assistant Chief Grain Inspector; Dr. Meredith, Research Lab and Dr. Hlynka, Research Lab.

I do not have any prepared statement to make this morning. We are prepared to answer any questions the committee may wish to put to us. With your permission, Mr. Chairman, I would like to refer most of the questions this morning to our technical staff.

The CHAIRMAN: Fine. We will leave it up to you to direct the questions to whoever you think is the proper person to answer. We have two members who have intimated they want to ask questions. First of all, Mr. Clermont, then Mr. Forbes, Mr. Jorgenson and Mr. Olson.

Mr. CLERMONT: Yes, Mr. Chairman.

(*Translation*)

Mr. Hamilton, last year you received requests from elevator operators for an increase. Was this well received? Were they authorized to increase costs for handling, for storage, for loading, for delivery outside the elevator. What were the percentages of increases in each of these branches? And what studies were prepared by the Board to justify acceeding to these requests?

(*English*)

Mr. HAMILTON: Mr. Chairman, I would like to say that the Board of Grain Commissioners establish the maximum tariffs that may be charged. The tariffs we set for country elevators are reviewed later on by the Canadian Wheat Board. The Canadian Wheat Board and the companies must come to an agreement and arrive at a handling agreement. Last year we authorized a maximum increase of one cent per bushel, but when the companies came to the Canadian Wheat Board they were unable to get the one cent. In the case of the terminals,

we authorized a further one cent and this was not subject to negotiation, so at the terminals there is an additional one cent charge this year.

(Translation)

Mr. CLERMONT: When do these increases come into effect, on what date do they come into effect?

(English)

Mr. HAMILTON: The terminal increase was effective January, 1967 and the country elevators' increase was August 1, 1966.

(Translation)

Mr. CLERMONT: Did the maintenance cost cover putting the wheat into the elevator, the storage in the elevator and unloading from the elevator?

(English)

Mr. HAMILTON: The maximum increase allowable was for handling. The storage charges remain the same.

(Translation)

Mr. CLERMONT: Coming into another field, Mr. Hamilton, yesterday, this Committee was able to visit your offices and I feel as you do that you are very short of space, I do hope that you will succeed in getting much bigger space to continue the excellent work you have under way and that you are conducting in the interests of those whom you serve. But I wonder whether in your present services you are conducting research into the improvement of the feed cereals that are sent either to British Columbia or to Eastern Canada. Are you conducting research into the new varieties of feed grains for Eastern Canada and British Columbia? You have developed two or three varieties of feed grains I believe. These are raised in the West—called "Rodney" or some such name.

(English)

Mr. HAMILTON: Mr. Chairman, we do not conduct research into the new varieties. We test the new varieties that come along from the plant products.

(Translation)

Mr. CLERMONT: Is there an agency that tries to create new types of wheat, barley, oats, or feed grains. Is it your Board that looks after this research or is your work limited to checking into new varieties.

(English)

Mr. HAMILTON: Mr. Chairman, the work on developing new varieties is conducted out at the university by the Department of Agriculture of Canada and by the university people and we work in close collaboration with them. We get a look at these new varieties and we pass judgment on whether we consider them to be suitable or not.

(Translation)

Mr. CLERMONT: Over the course of the last three years, have there been varieties of wheat developed but not recognized, not registered, because it was not considered suitable for milling. Could not wheat that was not suitable for milling and baking be used for feed grains?

(English)

Mr. HAMILTON: It is quite true that there are a good number of varieties of wheat that have been developed and have been turned down because they were not satisfactory to fit into our Canadian system. It is also true that they are now working on higher yielding varieties of wheat.

(Translation)

Mr. CLERMONT: And your agency, Mr. Hamilton, also checks into the quality of feed grains shipped to the East. Do you check that?

(English)

Mr. HAMILTON: Yes, sir, we do.

(Translation)

Mr. CLERMONT: Is your group responsible for the elevators and the harbour installations in the East as in the West? Are you satisfied with the elevators and storage facilities which are in Prescott, Ontario, in Montreal, in Quebec, at Baie Comeau and Three Rivers? And over the past three years, have there been additions made to harbour installations in the St. Lawrence?

(English)

Mr. HAMILTON: Mr. Chairman, I am going to ask Mr. Baxter, our Chief Statistician who licenses these elevators, to reply to this question.

Mr. Earl BAXTER (*Chief Statistician, Board of Grain Commissioners*): Mr. Chairman, this will depend on how far back the questioner wishes to go in that area. The most recent additions in the St. Lawrence area in this regard are the construction of the new elevator at Montreal, which is now elevator No. 4, a completely modern and most efficient elevator, and an addition at Sorel. The Baie Comeau elevator was constructed and began operations back in 1959. In addition to this, and currently in the project and development stages, are two further elevators being constructed at Port Cartier and Sept Iles, which will also be completely modern facilities, and there are several others in the planning stage.

(Translation)

Mr. CLERMONT: Are the Board of Grain Commissioners responsible for privately owned elevators? Do you examine and verify them? At Baie Comeau, are these Crown elevators or are they privately owned elevators?

(English)

Mr. HAMILTON: The elevator at Baie Comeau, Mr. Clermont, is owned by the Cargill Grain Company. It is licensed by this board and it is subject to all our rules and regulations.

(Translation)

Mr. CLERMONT: Do you propose in the future building elevators at Rivière-du-Loup? Are you going to build harbour installations at Rivière-du-Loup?

(English)

Mr. HAMILTON: Mr. Chairman, we do not build any of these elevators. It is up to the companies to decide on the site and then they submit the plans to us for approval. I cannot answer that question for you.

The CHAIRMAN: Mr. Forbes, we are still following the same procedure we followed last night. Did you have a question?

Mr. FORBES: Yes. I want to ask the board how they arrive at these standards for grades. Now, do you take these samples from the field of grain that is produced, say, in 1966 or 1965, or whatever the year happens to be, or do you make up a sample that you would accept as a standard for a grade?

Mr. HAMILTON: I will ask Mr. Hammond, our Assistant Chief Inspector, to answer that question.

Mr. C. HAMMOND (*Assistant Chief Grain Inspector, Board of Grain Commissioners*): Mr. Chairman, the standard samples are prepared from samples which are selected from the current crop, with the addition of a proportion of the previous year's standard to take care of that grain which would be carry-over. This is done on a percentage basis. Every fall we select samples of grain from the crops that are being harvested. It is from these samples that the standards are prepared.

Mr. FORBES: In other words, these samples are all prepared. It could be a mixture from a sample at Winnipeg, another sample at Portage la Prairie and one at Dauphin?

Mr. HAMMOND: That is true. We try to get a cross section of the western grain-producing areas into the standard sample.

Mr. FORBES: I was interested in the sample we were trying to grade yesterday. I thought I could observe two or three different varieties of grain in it. In fact, it looked to me as though some farmer had a number of fields, and he had probably threshed them all and dumped them in together. Certainly it was not all from one field of grain. So, I was just wondering whether this was a trick sample that you had, or do you actually put that sample out as a standard for No. 1 Northern?

Mr. HAMMOND: That was the No. 1 Northern standard you were looking at.

Mr. FORBES: All right. Then, do you prepare similar samples for all the grades of grain?

Mr. HAMMOND: Yes sir.

Mr. FORBES: How many grades of grain are there now for wheat?

Mr. HAMMOND: Just standards?

Mr. FORBES: Take a guess at it. Do you have 25, 30 or 40, or what do you have?

Mr. HAMMOND: About 20 standard samples.

Mr. FORBES: Are you giving consideration to reducing the number of grades?

Mr. HAMILTON: I think, Mr. Chairman, we will ask Mr. Conacher, our old chief inspector, to answer this question because he is presently chairing a committee that is looking into this very matter.

Mr. J. CONACHER (*Special Adviser to the Board of Grain Commissioners*): The Board of Grain Commissioners presently has a study under way of our own system. We know that we have the best system for grading grain, particularly

wheat, in the world, but in these times of rapid change in many areas the board decided that we should not be complacent and we should endeavour to keep abreast of changing requirements in the grain markets of the world. I had the honour of being selected to head this study, which is being conducted at present by a committee that is advisory to the board. This committee contains a good cross section of the people in the grain industry of Canada.

One of the main items of concern to the Board of Grain Commissioners is the extent to which the services of the board are serving the industry. It does seem possible that some relief could be given to the handlers of grain, from the country elevator system through to export positions, by reducing the number of grades. This is not something that can be done lightly because we must be sure we are going to satisfy the market places, but certainly this subject is receiving very careful examination at the moment. It is too soon to say what the results will be.

Mr. FORBES: Now then, I would like to enter a different area and ask you in what year were the inland terminals built at Moose Jaw and Saskatoon?

Mr. HAMILTON: I think it was 1914. Correct me if I am wrong, Mr. Wilson.

Mr. FORBES: Now, do those terminal elevators pay taxes to the municipalities in which they are situated?

Mr. HAMILTON: Yes, they do. We pay a grant in lieu of taxes.

Mr. FORBES: I would think the one at Moose Jaw, for example, would show a deficit each year on its operations because you would not make sufficient money out of it to pay the taxes?

Mr. HAMILTON: I am going to ask Mr. Wilson, the general manager, to answer this question.

Mr. A. WILSON (*General Manager, Canadian Government Elevators, Board of Grain Commissioners*): Mr. Chairman, the specific question is with regard to the deficit at the Moose Jaw terminal?

Mr. FORBES: Yes.

Mr. WILSON: It is true that in the past few years we have been confronted with a deficit, but over-all this is not the case. As a matter of fact, through the operation of that elevator we have had an accumulated surplus of some $4 million from the commencement of operations in 1940 to date. In the last few years, for the reasons mentioned by Mr. McNamara last night, we have had a deficit, but over-all we have had a surplus at Moose Jaw of $4 million over the years.

Mr. FORBES: Now, one of your responsibilities is the licensing of elevators. Have you ever refused to license an elevator at any shipping point?

Mr. HAMILTON: Mr. Baxter, would you answer that question?

Mr. BAXTER: That is very difficult to answer, Mr. Chairman. I am not familiar enough with the complete history of the board's operations to know whether we have ever refused a licence. The conditions for licensing a country elevator are broad enough that most structures can qualify for this, providing they are on trackage and have the normal equipment necessary to elevate and

store the grain. From time to time, depending upon changes in those conditions, the board will see fit to cancel the licence of an elevator. Perhaps that is the approach with which you are concerned?

Mr. FORBES: My question was prompted by a brief that was presented by the farmers union to the committee in Regina. Their brief stated, in effect, that when the elevators made an application for an increase in the handling charges it was because of the fact that at various points where there were three, four or five elevators they were not getting a sufficient turnover to actually make it pay, and they felt that if one or two elevators were licensed there to handle the grain they could then make it pay at the present rates. Now then, this is the point. If you were applying for a truck licence to transport goods all over the province, the first thing you would have to do is obtain a licence. If in the opinion of the board there was sufficient service there already, you would not be granted a licence. Now, this is the angle. Would you consider this a matter of policy, rather than licensing all elevators and allowing them to increase the price?

Mr. HAMILTON: Mr. Forbes, they apply to us for a licence and my feeling on this is that as long as they can meet the requirements we will grant the licence. To be quite honest, I am sick and tired of the elevator companies just sitting and waiting for someone to push them into this program. They will never make a real move until someone pushes them in. I do not feel that it is our responsibility to start in on this thing. We certainly have held up licences. Just last week we held up the licence of a mill elevator in Vancouver until it met with our requirements. But to start selecting which elevator in the country should be licensed and which should not is a pretty hairy proposition, I would think.

Mr. FORBES: You are not giving any consideration to the need for the service in the trade or the community?

Mr. HAMILTON: We have never considered this part.

Mr. FORBES: I have one more question. Reference was made at the Wheat Board meeting last night to the terminal facilities at the port of Churchill. In the event that we could get the National Harbours Board, or whoever would construct an elevator there on behalf of the government, to do it, would you license another terminal elevator at that point?

Mr. HAMILTON: I certainly would.

Mr. FORBES: Have you received any indication throughout the last few years that there should be more terminal facilities at Churchill in order to accommodate the exports that could be shipped from there?

Mr. HAMILTON: No, Mr. Forbes. It is our understanding that the 20 million bushels they get out of Churchill is about the maximum that can be serviced through that port.

Mr. FORBES: All right, thank you. I guess I will have to reserve my other questions.

The CHAIRMAN: Mr. Shuttleworth wishes to make a comment on something.

Mr. C. L. SHUTTLEWORTH (*Commissioner, Board of Grain Commissioners*): Mr. Chairman, I think it would be well to point out that under the Canada Grain

Act we have no authority to refuse a licence if the elevator meets the physical requirements of the act. Our authority does not go beyond that.

Mr. FORBES: My point, in view of the suggestions made by the Saskatchewan Farmers' Union, was that by giving you this authority here is a policy we might very well adopt if we want to maintain a fairly reasonable rate of grain handling.

Mr. SHUTTLEWORTH: If the legislators agreed that was a sound policy.

Mr. FORBES: Thank you.

Mr. JORGENSON: Mr. Chairman, I would like to pursue this question of grades with Mr. Hamilton that was initiated by Mr. Forbes. It is my understanding that you said there were about 20 standard grades?

Mr. HAMILTON: Yes, that was the answer given.

Mr. JORGENSON: How many grades are there in fact? How many grades did the Canadian Wheat Board pay the farmers for during the last crop year?

Mr. HAMILTON: I would take a guess at around 500 grades of wheat.

Mr. JORGENSON: Five hundred grades of wheat. It would seem to me that there would most certainly be every good reason for investigation. I noticed from your report in 1965 that Mr. Conacher has been appointed to study the matter of grades and to submit a recommendation. Now, that was in 1965. Has Mr. Conacher as yet submitted a report on this question of grading?

Mr. HAMILTON: Mr. Conacher and his committee have just submitted an interim report at this stage, Mr. Jorgenson. Their work is not yet complete, but it is the hope of the board that they will be able to get rid of, say, a couple of hundred of these off-grades that clutter up the terminal right now.

Mr. JORGENSON: I wonder if you could tell the committee just what some of those grades are that you feel could be eliminated?

Mr. HAMILTON: I will ask Mr. Conacher to answer that question.

Mr. CONACHER: My first comment in this regard is that we cannot get rid of grades lightly because generally our grades are quite meaningful. In direct answer to the question, we have grades such as rejected No. 2 Manitoba Northern on account of sprouting; the same on account of admixture; the same on account of stones; the same on account of adhered foreign material, which could be soil; the same on account of, say, fertilizer pellets. You could add toughs and damps and still have a basic grade of No. 2 Northern and thus multiply all of these off-grades. If you add the whole range of grades of wheat and multiply them in the same way you will see that we have a large number of potential grades. Now, these off-grades, which number in the hundreds, account for something just over one and one half per cent of the volume of our wheat, but you must consider that these are very useful grades. A Canadian miller, for example, might be in the market for rejected No. 2 Northern on account of barley admixture, whereas he may not want rejected No. 2 Northern for another reason. So, these grades serve the market place well, and they have done so.

Now, with the exception of one or two particular types of off-grades, such as rejected mixed feeder grades, many of these are combined to make up shipments

of feed grains to eastern Canada or export shipments. We have had as many as 20 grades go together in one hold. The solution might therefore be to combine some of these grades at an earlier stage and try to put a name on them that would be descriptive of the quality.

Mr. JORGENSON: You said that these odd grades amounted to a little better than one per cent of the total volume of sales. I wonder if you could give us some idea of the extra cost involved in administering these grades? I am trying to find out if it is worth while to have all these extra grades. Are the benefits which you describe from having these grades offset by the extra cost of administration, writing cheques, and so on?

Mr. CONACHER: The grades have been so useful that they would justify a considerable cost in accounting but I would not know the extent to which this is true.

Mr. JORGENSON: Are you going to take this factor into consideration?

Mr. CONACHER: The sensible conclusion is that the cost runs in another direction. It is the expense of keeping—in terms of storage space that is occupied by small quantities of grain in terminal elevators—these separate, not the documentation.

Mr. JORGENSON: Those are all the questions I have on that subject. There is one more question I would like to ask Mr. Hamilton.

Mr. HAMILTON: We can ask Mr. Baxter to comment on the cost of this, Mr. Jorgenson. I think he has a figure.

Mr. BAXTER: Mr. Chairman, this feature will very definitely be studied as part of our committee work. It encompasses the area of documentation, as Mr. Jorgenson suggested, which is quite considerable in proportion to the value of the items involved. It also encompasses the cost of segregating these grades, maintaining them in partial occupancy of a full bin at an elevator, there are separate operations in the whole handling process, and even—in the delivery to the terminal—coming forward from the country elevator in bulkheading or partitioning the car. These costs will definitely be looked at, but offsetting them—as Mr. Conacher suggested—will be the value of being able to have these particular off-grade characteristics identified prior to and as part of the operation of blending them together in the composite package of 20 different grades going into one lot. This facet of the problem of grades will definitely be looked at and it is in this regard, as Mr. Conacher mentioned that the composition of our committee is such that it includes the practical elevator men and it is here that their advice and guidance, will be most valuable.

Mr. JORGENSON: Surely to a certain extent it is possible to remove some of the foreign matter such as stones, and combine them with other grades to eliminate a good many of the current grades?

Mr. CONACHER: Mr. Chairman, we have special elevators for doing this sort of thing. The standards of cleanliness that we have imposed on our elevator system are such that they are able to do cleaning operations that are virtually impossible by terminals in other parts of the world. Given reasonable fees for the work they do and shrinkage allowances for the clean-out, generally speaking

these terminals do an excellent job of cleaning up and promoting certain off-grades. This cannot be done in the case of, say, heated wheat. It has to be kept separately and is usually sold separately.

Mr. HAMILTON: I would like to add that literally hundreds of grades disappear in the terminals as the terminals condition and process the grain on its arrival.

Mr. JORGENSON: I would like to deal with one other point, Mr. Chairman. You mentioned earlier that part of your responsibility is the inspection and approval of plans for terminal elevator construction. As you know, we toured the terminal elevator facilities in Vancouver. The terminal elevator being built by the Saskatchewan Wheat Pool is currently under construction. In conversations and discussions with some of the people who will be responsible for grain movement, I was informed that they are already making one big mistake at that Saskatchewan Pool elevator by having only two loading belts out to the berth rather than four. They say this is going to seriously impede that elevator's ability to move grain. Now, if that is the case, how could you approve plans for an elevator of that nature knowing full well it is not going to be able to operate at peak efficiency?

Mr. HAMILTON: Mr. Chairman, in answer to this question, I would think it is generally well known that this will be a limitation at that particular elevator, but our responsibility in the Board of Grain Commissioners is to ensure that there will be proper inspection and weighing facilities. Beyond that we really do not become too involved in such things as additional belts and marine legs. This is management's responsibility.

Mr. JORGENSON: As the board is very intimately involved with the movement of grain and very much concerned about how the grain gets to the ultimate customer, surely the board could have taken it upon themselves to at least suggest to the Sask Pool that their facility had a built-in deficiency?

Mr. HAMILTON: Mr. Jorgenson, on this Sask Pool elevator at the west coast, as far as I am concerned unless the Board of Grain Commissioners had given this additional one cent increase the elevator would never have been built at all. The cost of that project has skyrocketed up to somewhere around $21 or $22 million now, and for us to have suggested to management that they consider additional expense might have just killed the whole thing.

Mr. JORGENSON: Well, I will not pursue that, Mr. Chairman. Those are all the questions I have. Thank you very much.

Mr. OLSON: Mr. Hamilton, do you check the grades given by the elevator agents to the farmers for small quantities of grain when there is no protest or direct reference made to your inspection service to establish a grade in the first instance?

Mr. HAMILTON: Mr. Chairman, we try to stay out of the business at the country elevator as much as possible. This is a deal between the buyer and the seller. The grades are unofficial. We do not check on this except that approximately once every year or two the country elevators are audited or weighed over. If we feel they are out of line in weights or grades, this is when we call

management before us, because we get a look at their grade gain and loss statement and the overage or shortage on weights.

Mr. OLSON: It would not be for two years or so that you could check a particular country elevator agent to find out whether or not he is giving grades that are consistently lower than the standards that you set out?

Mr. HAMILTON: Our assistant commissioners—there are two in the province of Saskatchewan, one in Alberta and one in Manitoba—are continually on the road. They check these elevators at least once every two years, and I can assure you that the farmers do not hesitate to write us if they feel they are not getting a fair break at the country elevator. Immediately we receive a letter from a farmer, the assistant commissioner goes out and investigates. We think this is under control generally.

Mr. OLSON: Who receives the benefit in the event that a reasonably large quantity of grain goes out at a higher grade than it came in to the country elevator?

Mr. HAMILTON: It would be to the credit of that particular country elevator company?

Mr. OLSON: Is there no practical way of checking this a little more closely to find out whether or not there are some of these unofficial grades? Once the farmer has settled for it he has no recourse to receiving a higher grade, has he?

Mr. HAMILTON: That is right. The safeguard is that if he is not satisfied with the grade the agent wants to place on it, he can then have a sample sent for inspection.

Mr. OLSON: Oh, I know that. Do you require these country elevator agents to take any kind of a test to see if they are grading properly or not?

Mr. HAMILTON: No, sir, we do not.

Mr. OLSON: Mr. Chairman, just one other question. What about the suggestion that comes up from time to time about buying all these grains by the hundredweight rather than by the bushel? Is there any progress being made in this direction, or is it a progressive step in your opinion?

Mr. HAMILTON: I will ask Mr. Baxter to answer this question, Mr. Chairman.

Mr. BAXTER: Mr. Chairman, the "bushels to hundredweight" movement gathered considered strength back in 1957 and 1958. There was a hope at that time that the change might be made within the grain trade. However, the considered opinion then was that it would be unwise for the Canadian system to change unless the same change took place in the United States. A similar movement was taking place there at that time. Unfortunately it came to a rather disastrous conclusion and the matter was dropped. I have kept in touch with the various parties in Canada interested in this, such as the National Research Council, and so on. The Department of Industry is also interested in this project as part of the proposed or hoped for progressive change of the entire system of weights and measures in Canada to the metric system. It now seems to be a question of how close we are to this latter change. If this is still far in the future, then perhaps it might be advisable for the grain trade to again consider the transfer over to the hundredweight. At the time of the study in 1957 it was my opinion

that the continuation of the bushel system, as compared to the hundredweight, costs us considerably, particularly in the area of documentation. This has been offset in part by the considerable facility of modern computers to do these calculations. But notwithstanding this, even in computer time it still costs the companies money to do these repeated conversions from pounds to bushels and back and forth.

Mr. OLSON: What about paying a price differential on protein content? Is this making any progress or is it a useful suggestion?

Mr. HAMILTON: Mr. Chairman, this is a suggestion which keeps coming up from time to time, but we really cannot see any merit in it for our Canadian system.

Mr. OLSON: Is not the protein content of the wheat one of the major factors in the quality and the saleability of this wheat?

Mr. HAMILTON: That is quite true. This is a very important point. As you are well aware, our system of inspection in Canada is done on a visual basis. You look at it and put a grade on it. We think that if you start taking into account these various factors, such as protein, you immediately take it out of the producers' hands to juge the grade of his grain. It then becomes a scientific matter.

Mr. OLSON: Is the analysis to find out the protein content one of the reasons that make it difficult to set up a price differential on protein?

Mr. HAMILTON: Yes, it is a comparatively difficult test.

Mr. OLSON: In the United States they pay a differential on protein content. Do they have testing stations all over the place so that they can they get a protein test quickly?

Mr. HAMILTON: They do protein tests there, but in Canada our grain is all sufficiently high in protein that it is not a problem.

Mr. OLSON: I just have one other question, Mr. Chairman, related to the other matter I raised. You take a sample of every carload that is shipped. Is this not correct?

Mr. HAMILTON: We take a sample of every car that is unloaded at every mill and terminal in Canada.

Mr. OLSON: Yes, you know where that carload comes from. Now, do you take the records of the carloads that are shipped from any specific point in so far as the total grades coming out of that elevator are concerned and check them against the records of the grades on which the total input into that elevator was taken on the incoming grade, the unofficial grade?

Mr. HAMILTON: Yes, we get an opportunity to check the grade gain or grade loss of any elevator in Canada.

Mr. OLSON: If you find an elevator where there is a wide difference between the incoming unofficial grade and your official grade, what do you do about it?

Mr. HAMILTON: Well, we call these people before the board if we feel there is a serious infraction.

Mr. OLSON: The elevator agent?

Mr. HAMILTON: Yes. Usually it is the elevator agent, his superintendent and a senior official of the company. If we feel there is an infraction regarding either weights or grades, the man's job is right on the line. We refuse to licence the elevator if that man continues as an operator.

Mr. OLSON: Thank you, Mr. Chairman.

Mr. HORNER (*Acadia*): I want to deal with three different areas. First of all with regard to grading, you suggested earlier there were 500 different types of grades actually in use last year and that the Board of Grain Commissioners have made a study to see whether or not a new system could be devised. Do you believe that a new system of grading could be devised that to some degree would be hinged on the protein content?

Mr. HAMILTON: I think, Mr. Chairman, the answer is that at present we do not think protein content should be taken into consideration.

Mr. HORNER (*Acadia*): I noticed yesterday in going through the labs that the amino acids and the enzyme content fluctuated in direct relationship to the protein content, and I thought to quite a large extent the loaves of bread that were shown to us corresponded relatively closely to the protein content of the wheat the bread was baked from. Why would the protein aspect not be considered in a grading system?

Mr. HAMILTON: I would like Dr. Hlynka to answer this question, Mr. Chairman.

Dr. I. HLYNKA (*Research, Lab, Board of Grain Commissioners*): Mr. Chairman, it is a question to some extent of what people prefer. One of the things people seem to prefer—the buyers and the sellers—is uniformity in the preformance of Canadian wheat. They would rather have that than the opportunity of selecting a higher protein content, because that would cost more money. It is simply a question between these two. The buyers have not expressed the opinion to us that they are willing to pay more for higher protein content, but they do prefer uniformity that they can depend on through the year.

One more thing about the American system is that they use a sample basis. Their market is geared to the large domestic market. Our domestic market is relatively small and our system is geared to the export market.

Mr. HORNER (*Acadia*): Well, doctor, I appreciated your position. You are concerned about the buyer. My concern, with regard to grading, has been from the other end, I am concerned about the seller. Many, many times farmers complain generally that in every crop year you set out what shall be graded No. 1, what shall be graded No. 2 and what shall be graded No. 3. In almost every crop year you set out a kind of standard of grades for wheat for that crop year. The farmers complain and say, "We should have something that we can nail down in our grading system". If wheat, for example, tested 15 per cent protein, then this should qualify it to grade at least No. 2 or No. 1, or something. I am not saying the grading system should be hinged directly on the protein content, but could it not hinge relatively on the protein content?

Mr. HLYNKA: It does hinge relatively on the protein content in this way, that all our approved and licenced varieties are ruled and found by our laboratory to

be equal in milling and baking properties to a standard Marquis. Now, this is according to the Canada Grain Act. Anything that comes up to this standard—like the new variety, Manitou, or the old variety, Thatcher—is fully equal to Marquis and has a certain minimum protein quality, as well as quantity, and in that way we can relatively assure ourselves that we have a certain protein content and quality in our wheat varieties.

Mr. HORNER (*Acadia*): Yes, but supposing, for example, you devise a new system of grading. Many, many areas in western Canada produce—and I am sure you have maps that would prove this—year after year high protein wheat, while other areas produce low protein wheat. It may all be graded No. 2 or No. 3 and the farmers may get the same amount of money, but actually the farmers growing the wheat in the high protein areas are producing a better product and should be getting more for it. There is some relationship in any case. Do you follow my remarks?

Mr. HLYNKA: Yes. Actually, this has been answered by Mr. Hamilton by the fact that this has been considered a number of times and the decision is that at the present time we do not feel that we want to introduce a grading system based on protein content. That is the general feeling.

Mr. HORNER (*Acadia*): Thank you, doctor. I would like to ask another question of Mr. Hamilton with regard to elevator space on the St. Lawrence Seaway. It was stated in a newspaper article recently that some 30 more elevators would be built on the seaway. Now, I expected them to be built on the outer end of the seaway, which would be similar to the elevator at Baie Comeau. Are these going to be American elevators, like the Baie Comeau elevator, or do you know anything about that?

Mr. HAMILTON: There will be some big international companies involved, such as Dreyfus and Bunge, and we hope there will be some Canadian companies. As far we know right now, there is only one Canadian company actively involved.

Mr. HORNER (*Acadia*): Far be it from me to suggest that the government should build them, but do you think the federal government should build them? This is the point that struck me. There is a demand or a need for more elevators out there. Surely we in Canada are going to export wheat for a good many years to come. If international companies feel they should move into that field, do you not think the Canadian government should build its own rather than let the Americans continue—and I have every bit of respect and love for the Americans—and why should we continue to store our grain in American elevators such as the one at Baie Comeau? Why should the federal government not build a large elevator there as well?

Mr. HAMILTON: I am going to ask Mr. Baxter to answer that. As you are well aware, the only publicly-owned elevators down in the St. Lawrence are the ones owned and operated by the National Harbours Board. As you are also well aware, they now have their elevator in Quebec up for sale. The trend seems to be for the government to get out of this business. May be Mr. Baxter would care to add something to this.

Mr. BAXTER: Mr. Chairman, perhaps the most significant feature or force prompting the American firms—they are not necessarily American, they are the

international commodity trading firms, such as Bunge and Dreyfus, which are not essentially American in this sense—is in the combination of their whole operations. I would also mention Cargill and Continental Grain, these two being American oriented companies. These firms bring in more or less their whole system of inland elevators, lake fleets and ocean fleets, plus their international selling operation, and they are interested in these particular locations initially, I would suggest, from the point of view of servicing the transfer forwarding of U.S. grain. As you are probably aware, following the opening of the Seaway a very substantial movement of U.S. grain started to flow through the St. Lawrence system. The most economical operation—and this still applies—is to move it from the head of the lakes from either Chicago or Duluth-Superior by lake vessel to a seaboard position and then transfer it to an ocean carrier. The most logical position for the seaboard elevator is on the lower St. Lawrence and they therefore are interested in building or acquiring these elevators at this position in order to facilitate this movement, which in the past several years has ranged between 90 and 120 or 130 million bushels. They anticipate this movement will expand far beyond this. The great opening of the European market for U.S. soybeans and corn has prompted this hope or anticipation of the expanded movement. Now, as far as the Canadian system is concerned, by virtue of the requirement that these elevators must provide space in a certain proportion for Canadian grain, these facilities become available for the movement of Canadian grain. Consequently, I would suggest that in view of the very considerable expansion in facilities on the St. Lawrence, and also in view of the indication given by Mr. McNamara last night that they anticipate the Canadian export market will be oriented toward the Far East rather than Europe, that the Canadian-owned facilities on the St. Lawrence are quite adequate for our own particular needs.

Mr. HORNER (*Acadia*): The point I am trying to make is that in Canada there is a great deal of concern over Canadian ownership and Canadians being able to direct and influence the economy of their own country. Wheat exports and grain exports generally make up about 14 per cent of our total exports. It is a huge amount. The government is directly involved. Now, why should we allow the great expansion of elevator storage capacity at and on the lakehead and on the seaway by international companies? You suggested, Mr. Hamilton, that we are going to sell the elevator at Quebec. Is this the right direction in which Canadians should be moving? Canadians today are concerned about Canadian ownership in investments in industry and investments in the banking field. Canadians have a very big investment in the wheat marketing system. Should we sell out our elevator in Quebec? Should we allow the building of international elevators on the seaway? Is this the right step? Are we being thorough in our desire to see Canadians control the economy? Surely the Canadian government should be building at least one out of the new 30 elevators on the seaway in order to keep the door open so that no international company can some time or another, through some manipulation for financial gain for itself—and this is the way they operate—create a bottleneck through which our grain would have to move. I would like to know why the Canadian government has decided to sell their elevator at Quebec. What is the purpose of this? Is there any continuity in the thinking of Canadian ownership when they allow this to happen?

Mr. HAMILTON: Mr. Chairman, I do not think I can satisfy Mr. Horner. The elevator at Quebec may never be sold but it is presently up for sale.

Mr. HORNER (*Acadia*): It may never be sold, did you say?

Mr. HAMILTON: Well, it may never be sold. We can attach almost any condition to the licensing of these terminals, and presently they are allowed 40 per cent of their new construction space unrestricted. They can use this for whatever they want. Sixty per cent of the space must be reserved for Canadian grain.

Mr. HORNER (*Acadia*): I realize, Mr. Hamilton, that we can make the conditions, but last year—I am going to use this as an example but not in a derogatory sense against the unions—we western farmers saw 200 men at the port of Vancouver more or less create a bottleneck and stop 4,000 men from working. Now, we can place conditions on these elevators but if we are not careful can they not, through their attitude—their attitude may be fine today but is there any guarantee it is going to be the same tomorrow—more or less waive our conditions and create a bottleneck? I encourage international companies to make investments and to facilitate the movement of our grain. I would also say that the Canadian government should actively safeguard an outlet for Canadian grain in this movement and I would certainly like to think that the elevator at Quebec will not be sold and that it will be utilized to nearly 100 per cent of its capacity.

Mr. HAMILTON: All I can say, Mr. Chairman, is that we have never had any problem with these international companies and we do not anticipate any. I would like to say that the 60-40 arrangement was not set by the Board of Grain Commissioners. This proportion was established by the government of Canada.

Mr. HORNER (*Acadia*): I realize that and, as I say, I have no objection to them moving into the field as long as the Canadian government, through their own operations, keeps that door open so that some grain can move. In other words, we are not wholly dependent upon a favourable attitude by international companies for the movement of our grain through the St. Lawrence Seaway.

Mr. HAMILTON: Mr. Chairman, I think I can allay your fears. There is really no problem there, Mr. Horner, as we see it.

Mr. HORNER (*Acadia*): Ten years ago grain was moving in something like a 20-ton ocean liner. That was a large shipment of grain. Today we see grain moving in 50-ton liners. Perhaps tomorrow it will be moving in 60-ton and 70-ton ocean liners. Most of these 60 and 70-ton ocean liners have to be loaded up at what one might call deep water ports, such as the one at Baie Comeau. In the years ahead I think this is the manner in which grain is going to move. It is going to move in huge tonnages by freight haulers. So I think we should protect ourselves.

Mr. HAMILTON: It is quite true the depth of water is the big attraction to these new sites on the lower St. Lawrence. Montreal is running just a little bit short of water.

Mr. HORNER (*Acadia*): One further question on another subject, Mr. Chairman. With regard to the Vancouver port, Mr. Hamilton, you police—and I

use the word politely—the movement of grain through that port. Would you say that the railway facilities into and out of the Vancouver port—the Burrard Inlet, which we visited not too long ago on this trip—are adequate?

Mr. HAMILTON: We think there are lots of problems in the port of Vancouver that will have to be overcome in the next few years.

Mr. HORNER (*Acadia*): All right. I have one further question. Is the National Harbours Board moving positively with an over-all plan to solve these problems in the next few years?

Mr. HAMILTON: Mr. Chairman, the answer I would have to give is that so far as I am concerned no one organization is trying to co-ordinate the whole Vancouver situation.

Mr. HORNER (*Acadia*): This is exactly the way I thought it was, too. This is a very discouraging thing to see, because surely in order to eventually establish Vancouver as a major grain export port someone should take it upon themselves to establish an over-all plan so that the building of elevators and the allotment of space around the inlet is done with some ultimate object in view. I found on a quick glimpse at the port that my fears were confirmed. There seemed to be no master plan that anybody was following. It was a helter-skelter deal, each company for themselves, and perhaps the loser in the end would be the producer, which has been the case in the last couple of years. We have seen bottlenecks out there where there was difficulty in getting the grain into the boats. I can think of one case where there was one boat tied up there for 28 days trying to get a load of grain. In a sense, from a producer's point of view, this is a shameful thing and this bottleneck should not exist. I think the National Harbours Board should outline a plan for that harbour and work toward acquiring land and building according to plan so that these bottlenecks can be ironed out.

Mr. HAMILTON: I think, Mr. Chairman, there is no question about it, the National Harbours Board are taking a look at it and preparing plans. I am sure the railways, both CN and CP, are preparing plans. The Board of Grain Commissioners are looking at it, but there is no one way that I know of yet whereby the whole thing can be tied together. There should be some sort of a committee set up to co-ordinate this whole effort that has to be made out there.

Mr. HORNER (*Acadia*): I am glad you stated that, Mr. Hamilton. Perhaps this could be one recommendation this committee could bring out of this trip. Now, one further question. I did not get your answer as to why the federal government had up for sale—you said you did not think it would be sold—its elevator in Quebec. Why is this? Is it not paying its way? Are the harbour facilities not deep enough, or what is the reason?

Mr. HAMILTON: Mr. Chairman, I just cannot answer this question.

Mr. HORNER (*Acadia*): Is it a policy decision? Is it a physical reason? In other words, is it not feasible to operate?

Mr. HAMILTON: As far as we are concerned this has been our most successful elevator, but obviously the National Harbours Board must have decided for some reason or other to put the elevator up for sale.

Mr. HORNER (*Acadia*): Just from a prairie farmer's point of view, I think the National Harbours Board needs overhauling. I am through with my questioning, Mr. Chairman.

(*Translation*)

The VICE-CHAIRMAN: Mr. Lefebvre.

(*English*)

Mr. LEFEBVRE: Mr. Hamilton, I believe your board has recently authorized an increase in the charges for cleaning, screening and also loading charges for boats not equipped for bulk loading. I understand this was violently opposed by the National Farmers Union. Among the reasons given by them for this was that the increase in revenues will more than offset the increased cost. In this connection I would like to quote from an article.

(*Translation*)

In *"La Terre de chez nous"* for August 10, 1966, and it stated: *"Other valid arguments brought up by the NFU"*. The Board of Grain Commissioners has no detailed information on the present financial statements of companies operating grain elevators. Consequently, the directors of this commission are quite incapable of deciding on the advisability of raising handling costs, and the NFU concluded no change should be authorised in rates.

(*English*)

Would you comment on this, please?

Mr. HAMILTON: Mr. Chairman, I should like to say that so far as I am concerned that statement by the NFU is just a lot of hogwash. I am going to ask Mr. Baxter, who collects the statistics and has the figures for us, to answer that.

Mr. BAXTER: This, I will admit, is a controversial point. This statement was perhaps prompted by an earlier remark of Commissioner Shuttleworth at the tariff meeting, when he indicated that this was a very difficult area involving a wide range of information that must be collected. Now you get into an area of discussion that is perhaps not pertinent to today's issue when you start discussing the basis on which tariffs shall be established. But, in so far as the decision of the board to grant the recent increase in maximum was concerned, we did have very conclusive evidence in the form of cost information from the grain companies clearly establishing that their costs in the periods relative to the last increase had risen to the point where the previous tariffs were inadequate and this increase was absolutely essential in order for them to continue an efficient operation.

Mr. LEFEBVRE: How does the increase in charges compare with your increase in costs over the past ten years? In other words, from a percentage standpoint which has increased the most?

Mr. BAXTER: Costs.

Mr. LEFEBVRE: Costs. By how much? Just give me a rough figure.

Mr. BAXTER: I would estimate by a margin of 50 per cent.

Mr. LEFEBVRE: Increased costs?

Mr. BAXTER: The costs have increased 50 per cent more than the tariffs.

Mr. LEFEBVRE: Speaking of costs, I believe Mr. Hamilton said yesterday that the Board of Grain Commissioners will just about be paying its own way this year, but this is the first time in your history, is it not? According to this annual report for 1965, I forget what page it is, but there is quite a difference between the French copy, page 17.

(*Translation*)

The expenditures, $5,146,914, the earnings, $3,617,588.

(*English*)

You are going to be that much closer this year, is that right? What is the main reason for this?

Mr. HAMILTON: Mr. Chairman, the main reason for our better looking forecast is that we increased our charges by approximately 50 per cent. It is quite true that ever since our act was re-written a good number of years ago we have not been required to cover the complete cost of our operation. Back in the 1920's the board was required to meet the cost of its operation, but when they revised the act they did not make it mandatory that we meet the cost of our operation.

Mr. LEFEBVRE: The difference between your receipts and your expenditures comes out of the estimates for the Department of Agriculture, is that correct?

Mr. HAMILTON: That is quite right.

Mr. LEFEBVRE: Now, I would like to change the subject a little bit and refer to this matter of inland terminals, one of which we visited at Moose Jaw. We were told by some people that it might be feasible to have these facilities fully equipped for processing the grain and if the proper facilities were available they could load the grain on special cars, which would then be dumped directly into the boats at the seaports. Other people say this is not feasible because of the programming of cars, which would be very hard to figure out. But if it was feasible, sir, would you be satisfied that this wheat, if it was processed in the inland terminals and dumped into the boats, would be just as clean? In other words, could you keep it free of foreign material as well as you do under present conditions?

Mr. HAMILTON: When the grain leaves the inland terminals it is at the same standard as when it leaves our export terminals.

Mr. LEFEBVRE: There would be no trouble with this?

Mr. HAMILTON: There would be no question here at all.

Mr. LEFEBVRE: Now, would it be easier and more efficient for your department if, instead of having hundreds and hundreds of country elevators, you had a number of large regional elevators? In other words, could you keep your eye on this wheat more easily if you had, say, 200 or 300 elevators to inspect rather than thousands?

Mr. HAMILTON: The answer, of course, Mr. Chairman, is yes. The fewer number of elevators we have to worry about the easier it would be for this board. It might be of interest to you to know that one engineering firm did a

study of the prairie provinces and they came up with the ultimate. This would be 72 elevators in the province—

Mr. LEFEBVRE: How many?

Mr. HAMILTON: Seventy-two elevators in the province of Saskatchewan as opposed to some 3,000.

Mr. LEFEBVRE: I am glad you mentioned that. I forget who the representative was at one of our meetings in western Canada who said that the firm of engineers that brought out this report were more concerned with selling their services than increasing the efficiency of the handling of wheat. This was the opinion of this witness. I think I have the wording just about right. We have seen in every other aspect of farming that everything is going into regional equipment, where you do away with what was built 40 or 50 years ago because at that time we did not have the transportation or roads to go into regional. An example of this is dairies or meat processing plants. As one of the eastern representatives I find it difficult to understand why this has not been done in the handling of wheat and I just wanted your opinion.

Now, I would like to ask the doctor a couple of questions. I forgot your name, sir, but you are in charge of research. The sample that we saw in your laboratories yesterday which had large pieces of glass in it, how often does this happen and what is the procedure followed after this is discovered?

Mr. HAMILTON: Mr. Chairman, perhaps I will start out answering this. This study was done by the engineering firm of Barnett-McQueen at the Lakehead. I think it is very difficult to argue with the submission they have made. It is a logical one and I think it was designed to stimulate some new thinking in this whole business of grain handling. I would like to say the rebuilding cycle that most of the country elevator companies are presently on is about an 80 year cycle. Of course, it is just about 80 years ago that the first grain elevator was built in western Canada, so perhaps we have just gone around the cycle once. The Board of Grain Commissioners feel that this is just not good enough in 1967. One of the reasons we authorized an increased tariff was that the companies could plan ahead and set their house in order. After all, we are responsible for the standards.

Speaking of standards, I am sure when you saw that glass yesterday it was as much of a shock to you as it was to members of the board. What will happen there is that we will get in touch with the railways to try to get the history of that boxcar and see what on earth they were carrying in it before. Fortunately we caught it and the carload of grain will be held separately at the Lakehead. It will be put over the de-stoning equipment and the glass will all be removed. However, it is a very dicey operation because the sample we received was picked up by our automatic samplers and it contained two small pieces of glass. This was the only clue we had that perhaps this grain was contaminated, so we asked them to hold the grain separately, and you saw the results of the further investigation. As to how often this happens, this is a very extreme case. I have never seen a mess like that before in my life. I do not know if Dr. Hlynka would like to comment on this. I think Charlie Hammond would be best.

Mr. PETERS: Mr. Chairman, on a point of order, the Chief Commissioner of the Board of Grain Commissioners has mentioned that this report has been hinted at by a number of people. I would like to know if he has that report in his possession and if he would be willing to table it as an appendix to our minutes of proceedings and evidence?

Mr. HAMILTON: We do not have a copy right now. We had one and we sent it out to somebody in the country who asked to take a look at it. This is not a confidential report. We can get a copy if you wish.

Mr. PETERS: I would like to see that report tabled.

Mr. LEFEBVRE: I did not know we were allowing supplementary questions. I was just about to bring this up.

Mr. PETERS: That was not a supplementary question, it was a point of order.

Mr. LEFEBVRE: That is how it ended up.

Mr. HAMILTON: It was a report of the Barnett-McQueen Company.

The VICE-CHAIRMAN: Is it the wish of the committee that this report be made an appendix to our minutes?

Some hon. MEMBERS: Agreed.

Mr. CROSSMAN: A supplementary, Mr. Chairman—

The VICE-CHAIRMAN: Order. I think it was agreed we would not have supplementary questions.

Mr. PETERS: Mr. Chairman, I would like a ruling. I am in complete agreement that there should not be supplementary question, but on a point of order I asked that this statement which was referred to be introduced as an appendix to our minutes. I do not think that is a supplementary question. I think the members should be fair in their judgment.

The VICE-CHAIRMAN: I intervened because some other member wanted to ask a supplementary.

Mr. LEFEBVRE: Mr. Chairman, may we have some comments about this sample in which glass was found? I believe one of the gentlemen at the back was about to answer.

Mr. HAMILTON: I will ask Mr. Hammond, our assistant chief grain inspector, to comment on this.

Mr. HAMMOND: I believe you asked if we find this sort of thing very often?

Mr. LEFEBVRE: Yes. What steps do you take after you find it, and how often does this occur?

Mr. HAMMOND: It occurs very, very rarely, I might say. Certainly I have never seen a sample such as you saw yesterday. I should point ou that the sample you saw may have been a little misleading. There is glass in the grain that went into the elevator, but the majority of the glass that was in that car was left in the car. The sample you saw was grain that had been swept off the floor of the car after it had been unloaded. This is the one that contained most of that glass. Now, we were aware of the glass being present during the time the grain was

being unloaded. We immediately informed the terminal operator, the carlot of grain was binned by itself and it will be cleaned by itself, the screenings will be thrown out and the grain will be sampled and reinspected for the presence of glass, and at this time it will receive its official grade. At this point it has not been officially graded.

Mr. LEFEBVRE: No, what is the most common foreign material that you find in wheat? Is it glass or metal, or what?

Mr. HAMMOND: No, the most common would be the stones that are picked up in the harvest operation.

Mr. LEFEBVRE: Picked up from the fields, yes. I just have one more question along this line. We inspected the research and testing facilities yesterday and I believe somebody made the statement they were crowded, the space was not large enough. I think we saw this quite readily. Approximately how many square feet do you have for research and testing facilities in Winnipeg at the present time?

Mr. HLYNKA: The Board of Grain Commissioners has a total of 42,000 square feet in the grain exchange building and approximately 17,000 square feet are for the research laboratory.

Mr. LEFEBVRE: Now, how many square feet do you think you need to carry out your full program under better conditions?

Mr. HLYNKA: The total projected area that the board probably requires is somewhere in the neighbourhood of 60,000 square feet, of which approximately half would be devoted to the laboratory.

Mr. LEFEBVRE: It would be almost double the space you now have for the laboratory?

Mr. HLYNKA: Yes, for the laboratory.

Mr. LEFEBVRE: Have you made an estimate of the cost of your new facilities, if and when you get them?

Mr. HLYNKA: This is a very difficult question to answer, but it would probably be upwards of $1 million.

Mr. LEFEBVRE: A million dollars for the new facilities, including laboratories?

Mr. HLYNKA: Yes, upwards of that figure.

Mr. LEFEBVRE: Thank you, Mr. Chairman.

The CHAIRMAN: I do not want to control the questioning too much, but I would point out that we have Mr. Noble, Mr. Rapp, Mr. Peters, Mr. Cote, and Mr. Watson on the list. Mr. Parker of the Manitoba Pool cannot be here later on today, but he is with us now. We can probably delay for a little while our departure to the grain exchange, and I have no idea of the length of the questioning, but I would ask the questioners to consider that and we will continue with the questioning.

Mr. NOBLE: Mr. Chairman, some of the questions I had in mind have been answered, but there is some other information I would like to obtain. It seems to

me that the grading of the grain is perhaps one of the most important functions coming under the responsibility of the Board of Grain Commissioners. So much seems to depend on the efficiency of this operation, and I am wondering how long it takes to train personnel to do a really good job on this grading?

Mr. HAMMOND: I would say it takes about five years from the time a person has demonstrated that he has some natural ability along these lines, from the time he first comes to us until he is capable of entering into the lower ranks of grain inspectors. In this position he would be doing grain inspection under close supervision. It would take closer to ten years to become a fully qualified grain inspector. I should also point out that our people receive on-the-job training continuously throughout their time with us. Also, our staff training program is aimed at making them very proficient in their job.

Mr. NOBLE: Then, Mr. Chairman, I would presume that you have new groups of people coming in each year to take training and they would replace those who might possibly leave?

Mr. HAMMOND: We do have people coming in as they are required. As vacancies occur in our staff people are recruited at the lower levels.

Mr. NOBLE: My last question in respect to this matter is do you lose many of these people to other organizations or to other countries after they have been recognized as skilled people?

Mr. HAMMOND: I could not tell you the number offhand, but we have lost some to private grain firms. Our ranks are not seriously depleted through this loss.

Mr. NOBLE: Mr. Chairman, I have a couple of questions that are possibly common knowledge to the western members, but we from the east would like to know a little bit more about these things. Can a producer suffer financial loss if he has cause for protest over grades given his grain if he does not take advantage of this privilege?

Mr. HAMILTON: Mr. Chairman, if I understand the question, you mean is it possible for a farmer to take a beating at the country elevator if he does not take advantage of official grade?

Mr. NOBLE: If he thinks he received a grade that was below what he really had, if he does not make a protest will he take a financial loss?

Mr. HAMILTON: Oh yes, he will take a loss. He may be undergraded, but this is up to the producer. Under the Canada Grain Act he has the right to go to the chief inspector at any time for an official grade on his grain.

Mr. NOBLE: Well, if the grade were not dropped more than possibly one grade, what might be the loss per bushel?

Mr. HAMILTON: Oh, it could be from five or six or up to ten or twelve cents.

Mr. NOBLE: On a carload of grain this could be sizeable.

Mr. HAMILTON: On a carload of grain this would represent $200 or $300.

Mr. NOBLE: Those are all the questions I have, Mr. Chairman.

Mr. PETERS: I would like to ask the Commissioner what steps are being taken to modernize the whole process of grain handling. I have not been

impressed with the country elevator type operation. It appears to be totally out of date. Now, with the abandonment that will obviously take place in the next few years of some of the branch lines, those people on the branch lines are going to have to make a change in their grain handling operations. Have the grain commissioners given any consideration to a study that would reorganize the whole process where grain could be cleaned, dried and handled and ready for export in the terminal elevator type operation, so that cars could be brought to the ship and unloaded by using bulk carriers and an overhead unloading system, and in this way it would facilitate and certainly eliminate a lot of this problem that we now have in the Vancouver port?

The CHAIRMAN: I am sorry, Mr. Peters, I made a mistake here. Mr. Rapp should have been the next speaker. I have a habit of scratching the name before I ask the member to speak, and I scratched Mr. Rapp's name. Perhaps this question could be stayed. I told Mr. Rapp what time he was going to have and I called your name in error. I apologize, Mr. Rapp.

Mr. RAPP: That is all right, Mr. Chairman. My question has to do with the port of Churchill. Many organizations, such as the Hudson Bay Route Association and farmers organizations, are of the opinion that if the fresh water from Lake Winnipeg which flows in by the Nelson River to the port of Churchill could be diverted that the open navigation season would be extended quite a bit. Could some official of your board give us some explanation or can they confirm the fact that if fresh water was diverted the season could be extended. That is my first question.

Mr. HAMILTON: Mr. Chairman, I am not really qualified to answer this question but it is a fact, of course, that fresh water will freeze much more readily than salt water. This is the thinking behind diverting the fresh water from the elevator. I think the real problem comes further up in the straits.

Mr. RAPP: How much farther up, 100 miles?

Mr. HAMILTON: Well, around the northern tip of Quebec, which would be several hundred miles.

Mr. RAPP: My second question has to do with this wheat in which the glass was found. It so happens that it was from an area which is in my constituency, and if there is going to be a rough deal handed out to these farmers, I am pretty sure I will be getting some letters. Could you say, for instance, how many grades they would lose on it?

Mr. HAMILTON: The farmer is not responsible at all, Mr. Rapp. I suspect the boxcar was dirty; that it had been carrying some sort of broken glass in it. There will no no loss in grade. It will be cleaned up and then, as Mr. Hammond said, after it is cleaned up, if it passes inspection, an official grade will be placed upon the grain.

Mr. RAPP: My other question is what are the basic qualities of these varieties of wheat; Manitou, Selkirk and Pembina? Could you give us this information and compare one wheat with another?

Mr. HAMILTON: I will ask Dr. Hlynka to answer that question.

Mr. HLYNKA: The question concerns Manitou, Pembina and Selkirk. I will start with Pembina. Pembina is a good wheat. The one thing that is not in its favour is the fact that it requires a greater amount of mixing in the dough stage. It is necessary to use more energy in the mixing to develop its optimum properties. The properties are there if you put in the work, so it is good but it has a long mixing time. Selkirk, on the other hand, is probably at the bottom of those three. It is about equal to Marquis, but in our plant breeding program we have been aiming at something that is a little better than Marquis. So, Selkirk is good but its main merit has been the fact that it has been resistant to stem rust and it has been a real life saver from that point of view, but the quality has been less than these other two. Manitou is a new one. We have tested it for quite a number of years and it is very good. I would say it is the best of these three.

Mr. RAPP: That is all I wanted to ask.

Mr. PETERS: Mr. Chairman, I have asked my first question. This involves the whole process of encouraging the farmers to haul longer distances by road transport to areas where they will be able to make a much larger initial delivery. The board will be in a much better position if they have 70 to 100 car trains of 2,000 bushel capacity within 18 hours of shipment. We are now equipped with Telex. You have the facilities, as I understand it, but you cannot get this quantity in trainload lots in a clean condition in an elevator here. It seems that the pools have a vested interest, of course, in maintaining their cleaning facilities because this is a big asset as far as they are concerned. I looked at some of those boxcars at some of the terminals in Vancouver and that grain certainly was not cleaned. It did not even go through initial cleaning, it just came from the combine and was dumped in the boxcar. Some of it appeared to be a hoisting operation only. You hoist it up and put it in the cars. It is a very out-of-date system.

Mr. HAMILTON: I would like Mr. Shuttleworth to answer.

Mr. SHUTTLEWORTH: Mr. Chairman, I am sure you realize that social change is very much involved in the things you are mentioning now. There are a great number of private companies, co-operative companies, operating in the field. As far as the board is concerned we have no jurisdiction to move in this area, as we pointed out, under the Canada Grain Act. With our knowledge of the operation of the grain movement in Canada, we do advise the government of the day on possibly what might be done. However, the things you are basically concerned with are matters of government policy, and very broad government policy, and to that degree we do not go beyond the requirements of the Canada Grain Act.

Mr. PETERS: I think there should be a study undertaken into the modernization of our transportation and storage facilities in the wheat industry. It is an important national problem. If this committee were to recommend that this be undertaken, would the grain commissioners not be in a position to undertake that kind of a study?

Mr. SHUTTLEWORTH: We certainly have a great deal of information at our disposal and no doubt we could help in a study and give a good deal of information to whoever was authorized to make it. The fact is that the people who are in the business today are competent but, as was pointed out here, the situation is that we are living in a fast changing age as far as the movement of all commodities is concerned. It is a matter of making changes in the whole

system, and there are so many things involved in meeting the needs of tomorrow. Whether a parliamentary committee is the way to deal with this or not, that is the responsibility of parliament to decide.

Mr. PETERS: Mr. Chairman, in looking over the report I have found something which I think is quite amusing. We looked at the Moose Jaw plant the day before yesterday—and this is unfair, I presume—and it is a fact that if each one of the employees on July 31 had taken home two bags of grain they could have stored it all in their kitchens without interfering with anything and they would have had the whole stock of the elevator, 218 bushels. This is an odd situation, but if you take the whole year you will find that it cost the farmers 30 cents a bushel to handle grain at the Moose Jaw terminal if you take the wages and compare them with the 100,000 bushels which they had. What recommendations are you making for upgrading the two facilities that it seems imperative to upgrade? One is licensing this as an elevator so that farmers who want to take in large quantities of grain are provided with the facility for unloading 1,000 bushel trucks and, second, the loading of specially-built cars that could efficiently be operated in 70 to 80 car lots for ship delivery.

Mr. SHUTTLEWORTH: This again comes into the field of government policy. It is in two areas.

Mr. PETERS: We own this and we are already operating it.

Mr. SHUTTLEWORTH: We own this. Now, the government can make up its mind to do two things. You mentioned the possibility of licensing it as a country elevator.

Mr. PETERS: It is semi-licensed now, is it not?

Mr. SHUTTLEWORTH: Yes, and it becomes a matter of government policy whether they want to get into this side of the grain business in competition with those already established in the business.

Mr. PETERS: I do not really see why the government should make this policy. Is it not the grain commissioner's responsibility to move grain? We hold ships sometimes for 20 days on the west coast because we do not have grain available. Is this not—

Mr. SHUTTLEWORTH: No, under the Canada Grain Act it is not our responsibility to move grain in total. It is our responsibility to facilitate it as far as the Canada Grain Act is concerned and we try to carry that out. But certainly the licensing of a government-owned elevator is a matter of government policy.

Mr. PETERS: In relation to—

The CHAIRMAN: Excuse me a moment. I have spoken to Mr. Shuttleworth, and I do not want you to think I am trying to control you but I want to be fair to Mr. Parker. He wrote us a letter—we did not get until yesterday—asking if he could change his time. I spoke to Mr. Hamilton and Mr. Shuttleworth about this—I did not speak with the other commissioner—and we only have one witness after eight o'clock, Mr. Molgat, and they have agreed to come back after eight o'clock. If we are going to hear Mr. Parker's brief—he has agreed to summarize it and it will take approximately half an hour—then it will make our trip to the grain exchange a little late. Perhaps we could have the Board of Grain

Commissioners come back after eight o'clock tonight. Is this agreeable to the committee? Agreed.

I want to thank Mr. Hamilton and his group for agreeing to this, because we shoved them around last night and made them wait and they are readily agreeing to a further deferment.

Mr. Parker, if you will come up front we will try to move along as fast as we can. I hope the committee members realize that we will not have too much time to question Mr. Parker, if we have any time. It has been suggested that the entire brief of the Manitoba Pool in the form presented to the committee be printed in the minutes of proceedings and evidence.

Mr. PETERS: Mr. Chairman, some of us have had a chance to look this over and perhaps to expedite matters we might start in with the questioning rather than having the brief read.

The CHAIRMAN: I have already spoken to Mr. Parker and he would like to make some statements before he starts. You have no other officials with you?

Dr. W. J. PARKER (*President, Manitoba Pool Elevators*): I have two other directors with me, Harold B. Sneath, Vice President, Manitoba Pool Elevators and Mr. George E. Franklin, a director from Deloraine. Will you come up, please?

Mr. Chairman and gentlemen, I will try and touch the highlights of what I consider to be the most important parts of this brief without boring you by reading sections at length. However, there is one section I do wish to read. You can forget the first page, except that I would like to draw your attention to the fact that Manitoba Pool Elevators not only have country elevators in terminals but they are engaged in the manufacture of fertilizer, the distribution of farm supplies, livestock marketing and they have a packing plant at Brandon, Manitoba. So, we cover a little bit more than merely grain itself.

With reference to page 2, this brief was not written for the western members, who know these facts just as well as I do, but in this committee there are representatives from eastern Canada and therefore we put in more detail than we would have done had we been talking just to western members.

On page 3 we draw attention to the fact that many of the country elevators are now of a considerable age—almost as old as I am—and 75 per cent of them were probably built prior to 1940 and a considerable percentage were built in the 1920's and some even before that. I do not want to suggest that this whole thing is out-of-date or completely obsolete, that is not right, but many of these older ones are worn out and they are obsolete. But these companies, whether ours or another, have a great many elevators that are quite modern. We point out that modernization is very costly. There has been a rather slow trend towards modernization because many of the companies have felt that the tariffs were not sufficient to justify the capital required to modernize. We point out on the same page that there are two main sources of revenue for country elevators, handling tariffs and the storage earnings. The cost per bushel to Manitoba Pools last year was approximately 7 cents per bushel and the handling tariff of the Wheat Board was 4½ cents for wheat and barley and 33½ cents for oats. We made 2.2 cents per bushel handled of storage earnings. Now, you will see that obviously does not break quite even. We have overages and shortages and grade gains and losses

and we have some merchandising premiums in malting barley, for instance. We also have terminal earnings and screenings, and this sort of thing, so you get into a surplus or a net position. The point we make here is that tariffs will not do it for either this company or any other company in western Canada.

Construction costs prior to 1957 were about $1 a bushel. The last elevator we built and opened here in November cost us just 2 or 3 cents less than $2 per bushel. Operating costs have gone up proportionately, there have been fantastic increases in real estate and taxes and there is also maintenance, repairs, revised salary schedules and incidental expenses. If you are going to get the kind of labour you need to manage one of these elevators today you will have to put in electrical equipment, you will have to put in electric car hauls, you will have to put in dust control and you will have to give them a modern plant or you will not get the kind of labour that you want to manage country elevators.

We are now budgeted and we have been authorized by the board to spend $2 million in the country this year mainly in new capital costs for modernization of the older facilities. We estimate that a program of this magnitude will go on for four, five or the next six years. The acceleration of rail line abandonment and increasing costs of labour and materials will extend the annual expenditure, as far as we know, over the foreseeable future. For instance, we used to put in a ten ton scale that cost $1,000. No one puts in less than a 30 ton scale today to accomodate the five ton trucks and the larger ones cost $6,000, roughly, installed, and some are putting in 50 ton scales. This is the magnitude of the expenditures required in order to meet the new technique of farming with the bigger farms and the bigger trucks. With the shortage of labour today the farmer is not going to sit ten minutes waiting to get a truck unloaded. When he moves in he wants it off his truck so that he can go back home. If he did not do this he would go broke.

I want to say just a little bit about the terminals, Mr. Chairman, because in 1963 Manitoba Pool opened the first new terminal that has been constructed at the Lakehead since 1928, at a cost of approximately $10 million. I suggest to you, Mr. Chairman, that that is a very big expenditure for a very small company such as Manitoba Pool Elevators that is confined to the province of Manitoba. We feel it is a major expenditure but we are satisfied the expenditure has been justified. It is modern and it will load the biggest ocean-going vessels that are presented there with as nice despatch as any house could possibly perform. It is an up to date workhouse. I have heard the Chairman of the Wheat Board say on more than one occasion that he is very doubtful that Canada could have exported the quantity of wheat that went out of the Lakehead had it not been for that new house. This was particularly true a year ago when there was a terrific amount of damp, tough grain in Manitoba and the additional drying facilities undoubtedly saved hundreds of thousands of bushels that would otherwise probably have deteriorated considerably. We spent about $13 million at the Lakehead in the last five years, and we have recently authorized and have under construction now a mechanical dumper at Pool No. 3. The contract price is $600,000 installed. The labour board required modernization of the electrical equipment in that house and we have let contracts already for $300,000, and to complete it will cost another $200,000, so there will be another $500,000 going into Pool No. 3.

Incidentally, Mr. Chairman, your committee, has been invited by the Harbours Board at the Lakehead to go through Pool No. 1, which is the $10 million house to which I referred. We will have staff there on Saturday to guide you through if you wish to visit. I respectfully suggest that this magnitude of expenditure at the Lakehead, and all that is going on at Vancouver, is being done 100 per cent by the farm people without any government assistance whatsoever. I suggest that the farmers are leading the way in trying to meet what we anticipate will be the increased production of grain in western Canada to try and meet Canada's moral comitments in respect of food generally.

Bill No. C-126, the Canada Labour Code, which frankly I do not like one little bit, has two or three parts which to us are quite unnecessary and interfere with what was previously working as a nice operation. I refer to the hours of work particularly. Let us forget about the rate of pay because we are so far above the minimum that they are not even in the same ball park, I suggest it is nonsense that when another 30 or 40 minutes would finish loading a boat, because the hours of work are finished you have to stop and the boat must sit there until the next morning at eight o'clock when the men come back on again. You cannot bring a crew back for half an hour and pay them for four hours work. The boys at the Lakehead were not dissatisfied before because they were looking for overtime. Proof of this, gentlemen, is that the superintendents had to be careful they parcelled out the overtime proportionately amongst them so they all had an opportunity to earn additional pay. We believe the unions and the employers should be permitted to work out their own arrangements instead of being interfered with to that extent.

I will not say anything about marketing because as far as the policy of the Canadian Wheat Board is concerned we in the west unanimously approve of what they are doing. Sometimes we disagree with some of the things the board does, but the principle is still sound. There have been requests that rye, flax and rapeseed be put under the board's operations. My own organization has asked for it on more than one occasion, so I must support it. However, I think it is foolish to assume that the wheat board will get more money in total for any one of those three, the two oil seeds or rye, because our production of rapeseed is insignificant in the world trade in oil seeds. Wheat is an entirely different matter. Canada has a very influential position because of the percentage volume of world trade and because of the quality. With respect to rapeseed, we do not mean anything. If we did not produce any it would not make much difference, so that cannot have any material influence. The same thing applies to flax but to a lesser degree. It certainly applies to rye, because we do not produce much. However, because of the impact of the quota the farmer is not free to deliver the day he thinks he has a good market, so he would like to have it under the wheat board. Secondly, it will pool the price and he would like that. It is a mistake to advise the farmers that the wheat board will get them a lot more money in total, because I am quite satisfied they will not do it.

I might mention the fact that the cost of the operation of the Canadian Wheat Board, apart from the Temporary Wheat Reserves Act, is entirely borne by the farmers who are using it.

I want to say something about labour-management if I may, gentlemen, and this is referred to on page 9. It has four parts, but the only one we are concerned

about is the hours of work section. The others do not influence us at all because we are way above the minimum that has been suggested in the bill.

Now, at page 10 our brief states:

> Regulating the hours of work of Country Elevator Managers however, seems to us to be an impossible task. We contend first that these men do perform managerial functions. It is unfortunate that Section 3, Paragraph 3 of the Code did not include Country Grain Elevator Agents along with Managers and Superintendents... because:

And I list the points:

> They have the right to employ and terminate the employment of temporary employees.

Now, each one of these elevator managers is responsible for the operations of a plant costing anywhere from $100,000 to $140,000. They are located at approximately—speaking of our own—240 points in Manitoba. They only have supervisory attention paid to them possibly once a month by the travelling superintendent, and sometimes twice a month, but generally they are on their own. They deal with the public at large. They may have as many as 300, 400, 500, 600 or 700 customers.

They are responsible for the grading, weighing and docking of all grain delivered to their respective elevators. They are responsible for paying the patron cash, if he wants it, at the time of delivery. The method of payment is in the form of a cash ticket, which is a negotiable document. We cannot issue a cheque in our office unless it is over my signature or the general manager's signature or the comptroller's signature and there must be two signatures.

If we go to a country elevator agent he can issue a cheque for $10,000 on one signature, and you claim that man is not a manager. In the course of a year a country elevator manager will hand out at least $250,000. Some of them will hand out up to $650,000 or more on his own signature only.

They are responsible for stocking and selling farm supplies, machinery, chemicals, seed and fertilizer, for which they are paid commissions in addition to their ordinary salary.

They are subject to the dictates of the Canada Grain Act and the regulations administered by the Board of Grain Commissioners, whom you had here a few moments ago. They are licensed and this can be withdrawn if they get off base.

They are responsible for granting credit, and I am horrified at the amount of credit they are granting but they are responsible for the collections.

I will now refer to page 12. To restrict the elevator manager's work would militate against the requests of the Canadian Wheat Board for rapid shipments of grain. Compounding this problem is the fact that they are subject to the various railroad schedules. They bring in three or four cars at four or five o'clock in the afternoon and they expect them to be loaded for the freight train the next morning at eight o'clock. Under the labour code they cannot be loaded, so they will sit there for a week because there is possibly only one or two trains a week on that line. It is hard to think of anything more inefficient in the use of scarce transportation and in impeding the movement of grain which is required at the export point. Also, I cannot think of anything worse than that bill when applied to country elevator agents.

On page 13 we point out that the country elevator manager is part of the community. He is relatively free. I can only recollect one occasion when the farmers objected to the fact that the agent was not in the elevator on time or that he was away hunting, or something, when he should have been there. They work it out with the community. They can attend all the bonspiels they wish. They can go hunting. They can go to picnics. Certainly they have to work 12 or 14 hours some days. The farmer does, too. That degree of freedom is there now, but if you put them on the hours under this bill they will be on a time clock and they will not have that freedom. I have talked to many of them and they do not want it, they want to be left alone. If the government would stay out of our hair some of us would get along a lot better.

There is just one reference on page 14 to grading. I will not read it, Mr. Chairman, but some of us feel our grading system has probably been the best in the world under a "certificate final". But, Mr. Chairman and gentlemen, the demand for various kinds of wheat has changed somewhat from the time the Canada Grain Act was last revised. You have other markets that are not looking for Nos. 1, 2 and 3 Northern, they are looking for something else. Many of us feel that the restriction on blending Nos. 1, 2, and 3, the statutory grades at the top, should be eliminated, and the pools asked for it in the first place. We are now prepared to wash it out. There has been a committee set up with the Board of Grain Commissioners to undertake a review of and to study the whole grading system. We have no comments to make because it is presently under review and our own general manager is on that committee. We merely say please let us not have a closed mind because it has been satisfactory until now. Maybe it can be improved because of new methods of milling and the demands we are receiving from areas where our wheat did not go 20 or 25 years ago.

The transportation bill is now completed, so there is no use in saying much about it. It is generally satisfactory in so far as we are concerned. We appreciate very much the fact that now at least a number of roads have statutory protection. The roads that are not protected under statute have the right to appeal for a public hearing, as they had under the old act. The one thing we are not too happy about is the fact that we are not in a position to cross-examine the railways' costing figures publicly before the tribunal. That is being done privately before the tribunal. I suppose we must accept it, but we are not very happy about it. However, as far as the Manitoba Pool is concerned we are not at all unhappy about the rest of it.

Feed grains, the feed board and the feed freight assistance policy are very sensitive political matters. We have suggested here that there is no unanimity in the west. I take it this is also true in the east, because Ontario producers have said publicly that they are prepared to produce enough corn to feed their livestock. Some of them say that we do not need the freight assistance for other reasons. We had one person, at least, from Quebec representing the Co-op Fédérée who suggested at a public meeting in Manitoba that if freight assistance was off and the feed board was out and it was taken away from the wheat board, that they would be more happy than they are now. The Maritimes, of course, want it as it is. All I want to say with respect to the west is that the people who are producing cash feed grains are not unhappy. Feed freight assistance, whether it applies to the buyer or the seller, is always a debatable point, but they are not

unhappy, they are satisfied with that. Livestock producers are not as satisfied because they feel that the subsidy of the freight on the feed ends to increase the production of livestock in the east at a little lower price than otherwise, and to that extent it militates against the comparative advantage the western livestock producer enjoys geographically. So, there is a reservation in their minds whether it is necessary to carry it on much longer. We merely draw this to your attention.

We believe, as stated at the top of page 19, that government controls have much to offer in many areas of agricultural trade, but some products lend themselves to one type of marketing technique and others require different types. The technological developments tend to change these requirements. We respectfully suggest that a periodic review of these acts and policies are appropriate.

We feel that as far as Manitoba is concerned we could stand a crash program into research on feed grains. Too much time, energy and money has been spent on trying to produce malting barley. What we want is tonnage per acre of a high nutrient quality to feed animals. We think there should be complete research in that field. Also, we know we can produce corn in southern Manitoba and we know we can produce soybeans, but we think with research that the varieties could be matured much more quickly and we believe there should be continuous research into that because we think it is a necessary adjunct to the development within the province of Ontario. The feed grain Triticale has been developed at the University of Manitoba. It has a protein content of anywhere from 19 to 21 per cent, which is a very promising type of cereal and particularly so for livestock feed. Once they get one or two crop diseases eliminated we think it will probably be on the market by 1970 at the latest—at least the plant breeders think so. Manitoba Pool Elevators have put $60,000 into that research program. There was also a grant from the Rosner Chair at the university out here.

Now, we are speaking for Manitoba particularly here, not for western Canada generally. I just want to suggest that in this province special crops, irrigation, livestock production and a general intensive type of agriculture can makes this a prosperous region. The service industries required by intensive agriculture are many and varied. They require a great many skilled employees, most of whom in one way or another would be part of the agro-business complex. Manitoba needs a crash research program of several areas of agricultural endeavour in order to carry out the program to the best advantage. I mentioned soybeans, and so on. Rape is becoming a useful crop in this particular province. We need much higher yielding feed barleys for livestock feed. We require more research on fertilizers, soil management and farm management generally. All of us, including the university, have been very lax in developing farm management techniques and proper cost accounting. This has now been proven in all three provinces.

I would now like to read the final paragraph of the brief. We believe it should be pointed out that heavy—we cannot do it in Manitoba—but we believe that heavy, industry, industry surrounded by densely populated areas, does not necessarily result in the highest standards of living for the individual. The central areas of the United States, which are primarily agricultural, have a comparatively limited population and a standard of living not duplicated in any

place in the world that I know of. With a well-planned program we think it is quite possible for the citizens of Manitoba in the foreseeable future to reach or surpass that enviable goal.

Mr. MUIR (*Lisgar*): Mr. Chairman, on a point of order, if there are any questions being asked—

The CHAIRMAN: If you will allow me, Mr. Muir, we have a motion that the submission of the Manitoba Pool Elevators be made an appendix to the minutes of proceedings and evidence. Is it agreed?

Some hon. MEMBERS: Agreed.

Mr. MUIR (*Lisgar*): My suggestion, Mr. Chairman, is that as the brief has been very concise and clear and as it has set out the situation as far as Manitoba Pool Elevators is concerned, that considering the number of witnesses we have to examine today this brief be attached as part of our proceedings and no questions asked.

The CHAIRMAN: No questions, did you say?

Mr. MUIR (*Lisgar*): No questions be asked and that we accept it as read.

The CHAIRMAN: I do not know how to accept this. We advised the grain exchange that we would probably be a little bit late. There are only three or four members who have intimated they wish to ask questions. If they have one question each I think the opportunity should be taken to ask questions at this time. I spoke to Mr. Parker earlier and, I do not remember at this stage what I told the committee about his coming to Ottawa. He said he would come if the committee desired it and, if they had questions on the brief. I suggested we would try and make arrangements for him to come at his convenience, because we know he is a very busy man. If members are still desirous of proceeding with questions we have Mr. Olson—Mr. Watson intimated he wanted to ask questions but he is not here—Mr. Horner and Mr. Clermont.

Mr. MUIR (*Lisgar*): Mr. Chairman, I moved an amendment to the motion you put and I would like you to put the amendment.

The CHAIRMAN: I did not understand it to be an amendment. We already passed the motion that this brief be printed as an appendix to the proceedings. Is it your motion now that no questions be allowed?

Mr. MUIR (*Lisgar*): That is right.

The CHAIRMAN: Does the committee agree to this? Those against this motion?

Mr. LEFEBVRE: I just want to know if we are going to be visiting the Grain Exchange, as we were told yesterday?

The CHAIRMAN: Yes.

Mr. LEFEBVRE: When?

The CHAIRMAN: Just as soon as we adjourn this meeting.

Mr. LEFEBVRE: Well, let us go.

The CHAIRMAN: Wait a minute. Is it agreed there be no questions asked of Mr. Parker and his group at this time?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: All right. Thank you very much, Mr. Parker. I am sorry we do not have more time, but I think you realize our time is limited. The meeting is adjourned to this afternoon at 2.30 p.m.

APPENDIX I

BARNETT-McQUEEN COMPANY LIMITED

ENGINEERS AND CONSTRUCTORS

Fort William, Ontario

A

PAPER

on

THE GRAIN INDUSTRY

of

MANITOBA—SASKATCHEWAN—ALBERTA

Dated at Fort William, Ontario
this
21st day of December 1962

Introduction

Barnett-McQueen Company Limited has served the Grain and Mining Industries in Canada since 1904. During all this time we have been pre-occupied with methods of moving material and have developed and followed improvements in bulk material handling. Advances in the mining field have been notable; efficiences now practiced would have been undreamed of twenty years ago. In grain handling, political, competitive and social forces have combined to thwart technological and economic pressures for progress.

In this brief we show that substantial efficiencies are available to the grain industry, making possible major cost savings in the collection and distribution of grain. We show also, that increased profits realized by modernization will justify the capital expenditures necessary. It is apparent to us that the grain industry must under our present economic trends act to modernize in the very near future.

Related History

Elevator systems as material handling agencies were designed to handle grain in an environment that existed half a century ago. The influence of the railways in the late eighteen hundreds and early nineteen hundreds in offering inducements to build elevators along their right-of-ways is still apparent. During the wheat boom, elevators were built en masse, and between 1923 and 27 they increased from 3,936 to 4,683. In the crop year 61-62 there were 5,244 public country elevators licensed in the three Prairie Provinces.

Most country elevators in Canada were built 35 to 40 years ago, and the capital investment in them has long since been written off. In recent years larger and more modern elevators have been erected on the Prairies, but the changes in

them have been minimal, and, with the exception of electrification, there has been no technological change in their concept, location or design. No major improvement in equipment, speed or mechanical efficiency has been realized.

The elevator system as we know it was built in the transportation era of the horse drawn wagon and the steam locomotive. After the depression of the thirties the motor truck became predominant, and now has taken over completely as the producers' means of hauling. Electrification has come completely to the Prairies and allows automated handling. Grain companies are finding great difficulty in adjusting to these changing patterns.

The grain companies' cost now are rising to an extent where it will be impossible for them to realize any profit under present statutory rates, even though most of their plant is written off. Costs in the grain trade of between 10 and 12 cents per bushel handled are such that neither the producer nor the company can stand further increases. It is apparent that requests for increased statutory revenue to alleviate these costs will, if granted, place an added and serious burden on the export of Canadian grains to the highly competitive world market.

The Railway Position

The elevator system of Western Canada paralleled the growth of the railways. In the early days when the farmer or producer was tied to horse and wagon it was essential that railways, being tremendously efficient by comparison, provide the required feeder service. For this reason, the railways developed a vast network of feeder lines and the grain companies raised their elevators on them. The sytsem was designed for convenient and easy horse wagon haul from the farm to the elevator. To quote the Royal Commission on Transportation,

"Technological superiority over the horse drawn wagon meant that railway services attempted to move so closely to the shipper and consignee or vice versa that the intermediate cartage function from rail head to factory door or farm was small as possible. This meant that stations were closely located and that industrial sidings were common." Page 35, Volume I.

In recent years the truck in almost all cases has usurped rails in the function of feeder service. Rising costs and truck competition have made the branch line situation in Western Canada totally untenable. The Royal Commission in its view on light density lines states,

"We noted that the continuation of rail services on uneconomic branch lines should be supported over a period sufficient to enable the adjustment to be made both in rail investment and investment tied to rail movement. In our view, fifteen years is a reasonable period to expect this process to continue". Page 60, Volume I.

And also,

"The data we have collected on costs and average revenue suggests that it is not unreasonable to assume that railway lines on the average would probably break even with an annual traffic density of One Hundred Thousand net ton miles or Two Hundred Thousand gross ton miles per mile of track. It appears, according to the latest figures made available to us by the management of the two railways that each of them operates about 4,300 miles of track over their systems below the indicated density figures". Page 61, Volume I.

The railway problem in Western Canada is largely due to the cost of maintaining light density lines, rather than the cost of carrying grain. The inefficiency of this transport which burdens other users in other sectors of the economy cannot sensibly be tolerated for long. Again from the Royal Commission on Transportation,

"We are convinced that efficiency in transportation is essential to total efficiency in the Nation. The costs of distribution are already a high part of total production costs, therefore, it is necessary that public policy shall do what it can to promote the efficiency of transportation services." Page 11, Volume II.

And again,

"We conclude, therefore, that efficient transportation should be the objective and measure of public responsibility for the Nation's transportation system". Page 17, Volume II.

Again,

"Despite a marked increase in population and a great increase in economic activity in Canada during the last thirty years, the branch lines of the Canadian railways are not hauling appreciably more goods now than they were at the beginning of this period. The increase in economic activity that may be expected for the future is not likely to change this situation. For the most part the demand will be for main line rather than branch line hauling. Branches when required will usually be the specific industries having to move large tonnages that require little terminal handling. In so far as it can be seen increases in transportation efficiency will be most noticeable on high density movements, and there is no evidence to indicate that this increase in efficiency can be carried over to low density line operations". Page 137, Volume II.

We, it would appear, must accept that the railways will retire now or in the future from feeder service and concentrate on high density and volume long haul traffic. This retirement has begun. It must accelerate. Railway retirement from the feeder function drastically effects the grain industry.

Mapping the Industry

We draw attention to maps of Saskatchewan marked S1, S2 and S3. Map marked S1 shows every rail line and every elevator owned by major line companies in the Province. The Province boasted 1,098 rail located shipping points and 2,886 licensed country elevators in the crop year 61-62. Map marked S2 indicates the rail lines in the Province which will probably be retained for economic reasons. (This map is based solely on the researches by the staff of Barnett-McQueen Company Limited.) This sheet shows a drastic reduction in branch lines and illustrates the crippling effect rail cancellations will have on the industry if not done in an orderly manner and in cooperation with it. Map S-3 illustrates a possible future pattern of 72 grain stations which might prove feasible. Grain stations located as indicated would offer the farmer a much more efficient and concentrated service and at the same time allow him a short motor haul.

Our illustrations graphically point up that the grain industry's attitude to economic and technical change, affecting it and the railway, must be aggressive and inventive. It is obvious that the active cooperation or at least public

recognition of each other's problems, and a planned programme to alleviate them, with the least hardship to each other, is reasonable and intelligent. Active but narrow opposition to railway cancellations is self-defeating.

Cost of Handling Grain

We have estimated the operating costs of and the revenue accruing to a country elevator based on a composite bushel which approximates the true composite handle of a typical grain company. Our computations show:

Buying margin (commission, handling, flax and rye trading)	= 4.183¢ per bushel
Storage margin	=11.750¢ per bushel per annum
Elevator Service Allowance (ESA)	= 1.586¢ per composite bushel shipped

(See Appendix 1)

We have estimated the cost of operation of a "Modern" or new elevator of traditional design, basing our figures on a 50,000 bushel elevator with a 40,000 bushel Annex. We have assumed very high storage factors (average percent of storage full over 12 months.)

Cost of Elevator operation per annum ..... (See Appendix 2)	$15,089.21
Revenue per annum of operation ..... (See Appendix 3)	$17,481.90

In further computations we have used Alberta Pool as an example. With an average handle of approximately 60 million bushels and a location in one Province this operation allows us to illustrate the points to be brought out here. (See Map A-1 which shows Alberta Pool as it existed in the crop year 61-62 in the Provinces of Alberta and British Columbia. See Map A-2 which shows the remaining rail lines in Alberta after probable cancellations of the feeder service lines. Map A3 illustrates 27 possible elevator stations which could serve very well the grain growing area of Alberta and Peace River while demanding only a reasonable haul from the producer.

On the basis of 27 stations and an annual handle of 60 million bushels we have built up in Appendix 5 a typical elevator to serve this situation. For purposes of costing we use a turnover factor of 3, and a cost of construction factor of $1.25 per maximum bushel capacity. The assumption of cost, after checking and doing certain basic plans on the type of elevator, is more than adequate. We have checked very thoroughly mechanical capability of such a plant in handling, receiving and storing the volumes demanded of it with the labour shown. The system is more than feasible.

On the basis of assumptions discussed above and shown in Appendix 4 we find the annual operating cost for a new elevator to fill our needs. We determine also the elevator's revenue.

New elevator concept, annual cost of operation $137,812.50
(See Appendix 4)

New elevator concept, annual revenue $215,021.80
(See Appendix 5)

Appendix 2 and 3 illustrated a traditional system with very high storage revenue producing in profit 1.77 cent per bushel handled, whereas, our projected system for the Province of Alberta shows a high capcity modern system producing 3.48 cents per bushel, and at the same time containing proportionately less storage volume and receiving less storage revenue. The cases shown are theoretical, but can bear considerable study and indicate the real flexibility and profit potential of a concentrated system based on modern concepts compared to the system now in use (See Graphs 1 & 2, pages 1400-1401).

Consideration of Costs

Most grain companies will soon face serious deficits if the storage hold in Western Canada becomes less than 60% of capacity over 12 months.

Gross storage volumes in Western Canada can stand considerable reduction making elevator turnovers larger. We contend that a turnover factor between 2-½ and 3-½ should be sought. Grain people protest that their large storage capcities have been necessary due to large crops and crop carryovers. A study of statistics quickly reveals that much of the storage over the past ten years has been static offering little or no average benefit to the producer and creating a considerable burden to the industry. During the same period the producer has demonstrated an ability to hold static stores of grain on the farm at less cost than when stored in an elevator. In the future should large static storages become necessary because of national or industry policy these can be created at country gathering points as proposed at less cost than is now possible.

The cases illustrated are technically possible and serve to point out that modern material handling technology presently available is dependent on volume handled at any point. As with the railways, efficiency will be most noticeable on high density movements and there is no evidence to indicate that increases in efficiency can be carried over to low handle or small operations. The economies of volume handle are self evident.

The economies of better control, the effects of streamlined administration, and the impact of superior staffs can be imagined. Ancillary profitable producer services in feed, seed, fertilizers, farm supplies etc. made possible by consolidation to planned handling units should not in any study of this brief be forgotten.

The Farm

No study of a revolution in grain handling can be complete without some consideration of the effect of the changing farm picture.

We see two basic and overriding trends effecting the producer. We feel these two trends will continue and intensify for some considerable time in the future.

The first trend is being forced on the producer for economic reasons and is made possible by the mechanization of his labour. This is the move to larger and larger farm units under one management. With the move to larger intensively farmed units owners are becoming business oriented. Farm management will

become more and more sophisticated; and conversely, its political power as a voting block can only decline.

The second trend is toward the urbanization of the farm family. The social, cultural and economic interests of the farm family are now very similar to those of the city dweller. This being the case, it requires a community of some size and economic stature to satisfy the farm family's wants. The family has accepted the necessity of travelling some distance to acceptable communities much as the urban family has accepted the necessity of travel to the supermarket. Motor transport makes this travel simple and convenient. The tiny rural hamlet of fifty years ago is either dead or fast dying. In many cases about all that is left of the original hamlet is the familiar outline of country elevators. The hamlet is being superseded by modern towns much as the little country school has been superseded by the consolidated school and for much the same reasons.

Modernization of elevator systems will, in increasing the producer's haul, add moderately to his costs. Maintenance of the present inefficient elevator and rail systems will soon bring cost penalties to him that he cannot afford.

Conclusions

In the best interest of the grain companies a system analysis must be made studying the overall handling of grain from farm to export position. It is essential that a master plan be drafted in order to determine the remedies necessary and for the purpose of systematically implementing them over an extended period.

The time for action is now and delays or short term manoeuvers will only serve to make the eventual remedies immeasurably more complicated and costly. The economies available to the industry now are such that the move to modernization may prove of short as well as long term benefit.

Recommendations

The grain industry occupies an important place in the economy of Canada. Its contribution to the Nation has been determined by the quality of its leadership. Economic pressures now are testing the imagination of management.

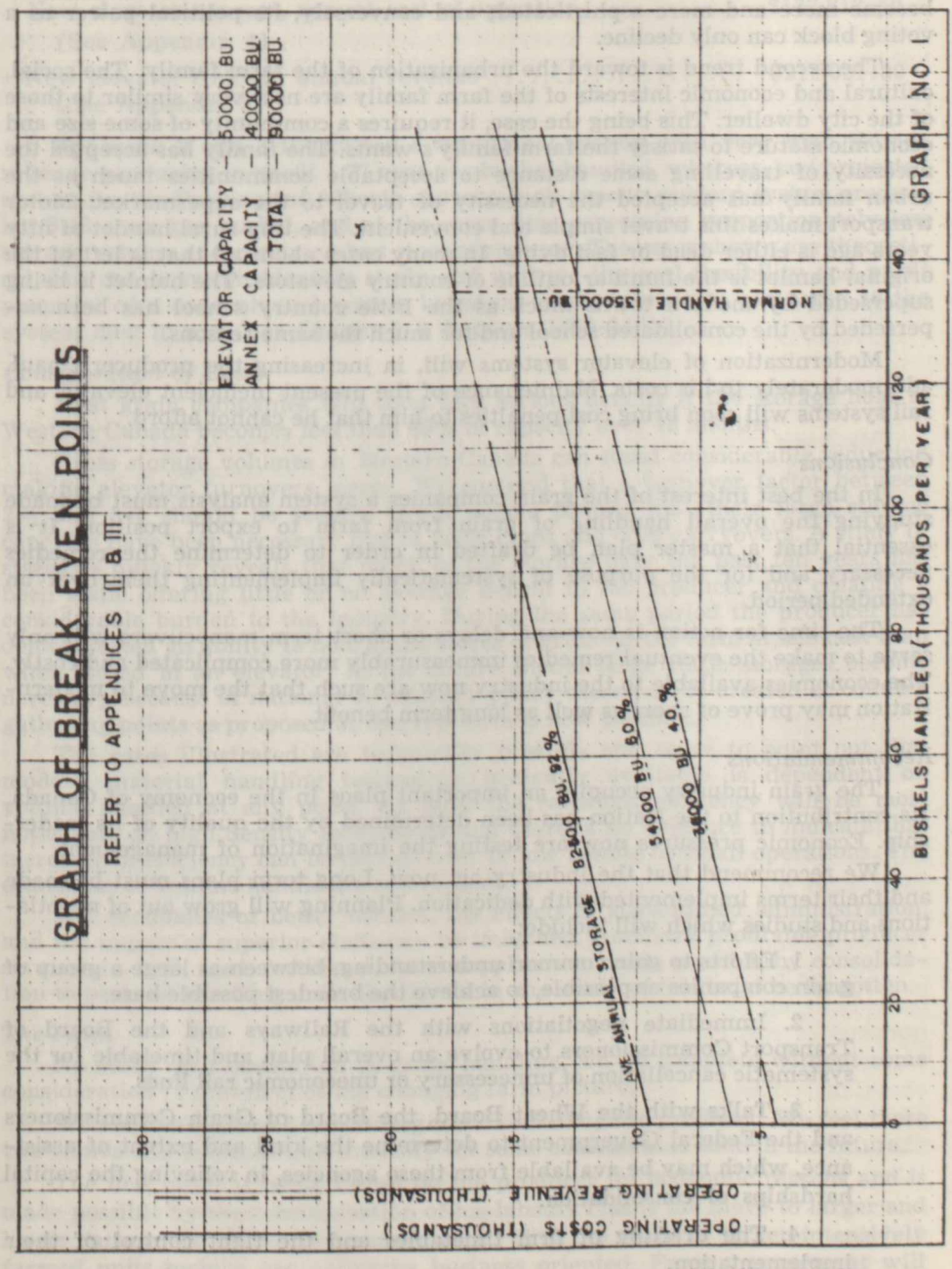
We recommend that the industry act now. Long term plans must be made and their terms implemented with dedication. Planning will grow out of negotiations and studies which will include:

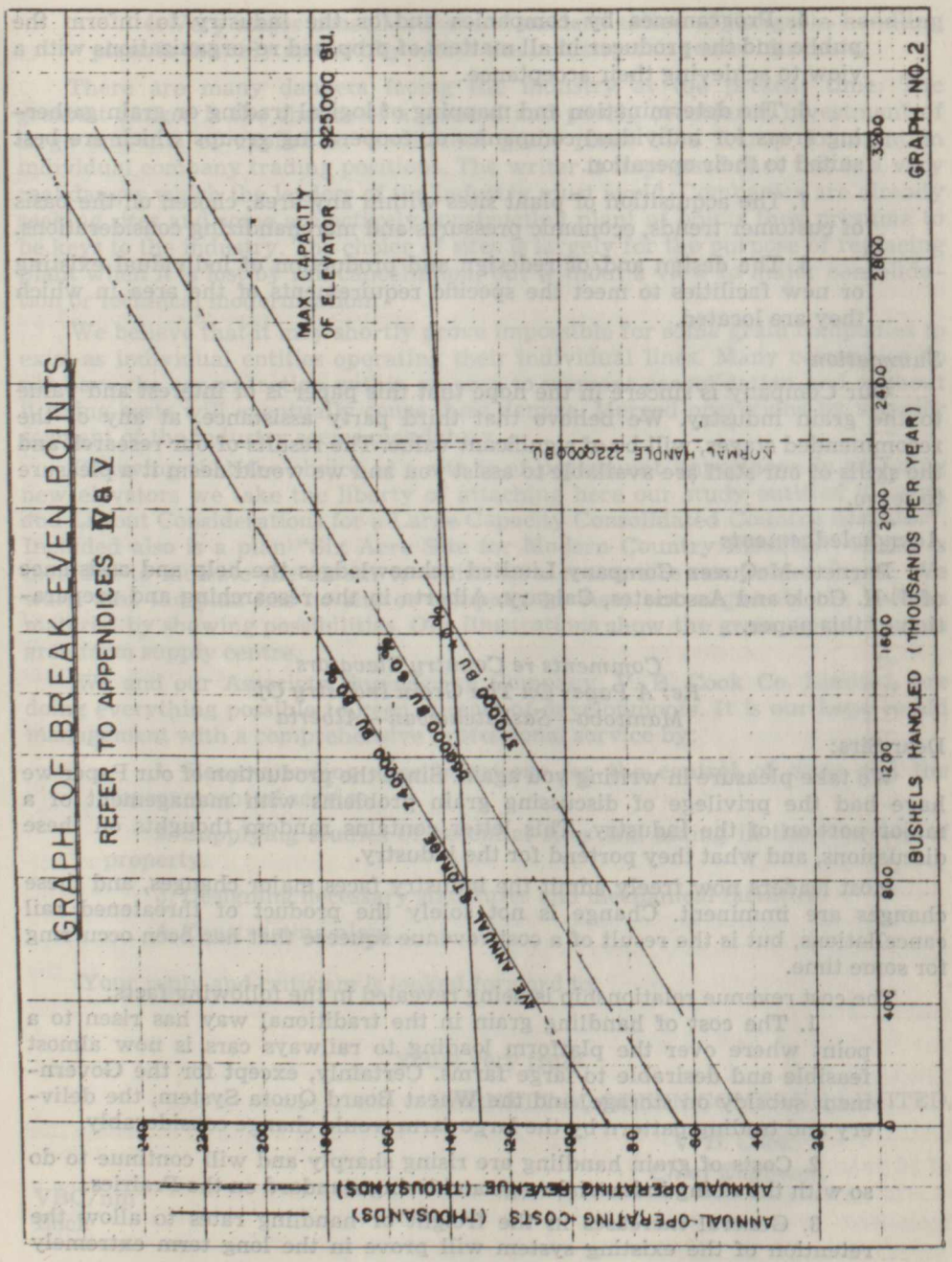
1. Efforts to gain common understanding, between as large a group of grain companies as possible, to achieve the broadest possible base.

2. Immediate negotiations with the Railways and the Board of Transport Commissioners to evolve an overall plan and timetable for the systematic cancellation of unnecessary or uneconomic rail lines.

3. Talks with the Wheat Board, the Board of Grain Commissioners and the Federal Government to determine the kind and extent of assistance, which may be available from these agencies, in relieving the capital hardships of consolidation.

4. The drafting of firm timetables and the tight control of their implementation.


GRAPH OF BREAK EVEN POINTS
REFER TO APPENDICES II & III
ELEVATOR CAPACITY — 50000 BU.
ANNEX CAPACITY — 40000 BU.
TOTAL — 90000 BU.
GRAPH NO. I
NORMAL HANDLE 135000 BU
AVE. ANNUAL STORAGE
82800 BU. 92%
54000 BU. 60%
34000 BU. 40%
OPERATING COSTS (THOUSANDS)
OPERATING REVENUE (THOUSANDS)
BUSHELS HANDLED (THOUSANDS PER YEAR)
0
20
40
60
80
100
120
140
5
10
15
20
25
30


GRAPH NO. 2
BUSHELS HANDLED (THOUSANDS PER YEAR)
0
400
800
1200
1600
2000
2400
2800
3200
0
20
40
60
80
100
120
140
160
180
200
220
240
ANNUAL OPERATING COSTS (THOUSANDS)
ANNUAL OPERATING REVENUE (THOUSANDS)
NORMAL HANDLE 2220000 BU.
MAX. CAPACITY OF ELEVATOR — 925000 BU.
GRAPH OF BREAK EVEN POINTS
REFER TO APPENDICES IV & V

5. Programmes by companies and/or the industry to inform the public and the producer in all matters of proposed re-organizations with a view to achieving their acceptance.

6. The determination and mapping of logical trading or grain gathering areas for individual companies or cooperating groups which are best suited to their operation.

7. The acquisition of plant sites within any area, chosen on the basis of customer trends, economic pressures and merchandizing considerations.

8. The design and/or redesign and production of individual existing or new facilities to meet the specific requirements of the area in which they are located.

Summation

Our Company is sincere in the hope that this paper is of interest and value to the grain industry. We believe that third party assistance, at any of the recommended stages, will be of significant value. The results of our research and the skills of our staff are available to assist you and we would deem it a pleasure to serve.

Acknowledgements

Barnett-McQueen Company Limited acknowledges the help and assistance of J. H. Cook and Associates, Calgary, Alberta in the researching and preparation of this paper.

Comments re Country Elevators
Re: A Paper On The Grain Industry Of
Manitoba—Saskatchewan—Alberta

Dear Sirs:

We take pleasure in writing you again. Since the production of our Paper we have had the privilege of discussing grain problems with management of a major portion of the industry. This letter contains random thoughts on these discussions, and what they portend for the industry.

Most leaders now freely admit the industry faces major changes, and these changes are imminent. Change is not solely the product of threatened rail cancellations, but is the result of a cost revenue squeeze that has been occurring for some time.

The cost revenue relationship is being revealed in the following facts:

1. The cost of handling grain in the traditional way has risen to a point where over the platform loading to railways cars is now almost feasible and desirable to large farms. Certainly, except for the Government subsidy on storage, and the Wheat Board Quota System, the delivery and trading pattern by the large farm would change considerably.

2. Costs of grain handling are rising sharply and will continue to do so with the rising industrial wage and living standard on the Prairies.

3. General increases in the freight or handling rates to allow the retention of the existing system will prove in the long term extremely costly and detrimental to the industry.

4. Very major consolidation and modernization of the grain handling plant is the only method by which the industry can control its costs.

There are many dangers facing the industry at the present time. The greatest danger is the chance of a general and poorly considered investment of large amounts of capital in traditional grain plant in a frenzy to maintain individual company trading positions. The writer is impressed that this is a very real danger which the leaders of the industry must avoid. Companies are already seeking sites and some are actively constructing plant at points they presume to be keys to the industry. The choice of sites is largely for the purpose of replacing plant when it is lost by rail cancellation, but without a view to major consolidation or technical modernization.

We believe that it may shortly prove impossible for some grain companies to exist as individual entities operating their individual lines. Many companies do not have the concentration within an area to warrant consolidation and without it rising costs will eventually cause their demise. Merged operations by a major segment of the industry seems mandatory.

Believing that the choice of a site is of paramount importance in planning new elevators we take the liberty of attaching here our study entitled "Design and Layout Considerations for a Large Capacity Consolidated Country Elevator". Included also is a plan "Six Acre Site for Modern Country Elevator" which is included to indicate the extent to which an elevator site can be developed. We warn that the plan has no site or company in view but augments the written material by showing possibilities. Our illustrations show the grain elevator as an area farm supply centre.

We and our Associate Engineering Company, V. B. Cook Co. Limited, are doing everything possible to keep abreast of developments. It is our hope to aid management with a comprehensive professional service by:

1. Recommending specific actions for the control of costs and the improvement of service.

2. Supplying studies of potential sites and aiding in the selection of property.

3. Designing necessary structures and mechanical facilities.

4. Constructing plant.

Your reply and criticism is looked forward to.

Yours very truly,

BARNETT-McQUEEN COMPANY LIMITED,

V. B. Cook,
Chief Engineer.

VBC/nm
Encl.

DESIGN AND LAYOUT CONSIDERATIONS

For a

LARGE CAPACITY CONSOLIDATED COUNTRY ELEVATOR

The following is a list of the essential operations carried on in a typical public Country Elevator.

1. The *assessment* of grade, dockage and moisture. This operation is done by taking samples of the load and using standard weight per measured bushel scales, moisture apparatus and dockage tester.

2. The mechanical *unloading* of all types of vehicles, from small wagon type boxes to the largest semi-trailer units.

3. The *weighing* of the delivered grain to 1/10th of 1 per cent accuracy. The normal function here is to weigh the vehicle full and empty, and to arrive at the grain weight by simple deduction.

4. Necessary *conveying* and elevating of the grain through the structure to its point of deposit.

5. *Storage.* The arrangement and size of bins must allow for storage as graded, subject to grade, special bin, and subject to cleaning, all as laid out by the requirements of the Board of Grain Commissioners for Canada, plus such other types or kinds of storage as the operator may find useful. The storage complex will vary from area to area, and will take into account the number of grains grown, the average variations and grades. The number and size of bins can be determined, to some extent, by a close study of the statistics of grain deliveries in the particular area over a long period.

6. *Withdrawal* of grain from storage by conveying means for the purpose of shipping or relocation.

7. The accurate weighing of grain to 1/10th of 1 per cent for the purposes of shipping, audit, after cleaning or such other purposes as the operator may desire.

8. *Loading* out to railway cars.

Auxiliary Operations

Besides the operations above there are, depending on the area, auxiliary operations which may be required to be incorporated in the elevator. These are:

1. The cleaning of grain in order to separate dockage, for return to the farmer or for use in the Company's own feed arrangements, or otherwise and,

2. Seed cleaning as a service to the customer.

Structure Requirements

1. The structure must be economically designed and constructed.

2. The structure must be a permanent structure with a figured economic life of 50 years.

3. Materials chosen must lend themselves to being maintenance free over a long life.

4. Arrangement must be such as to allow good natural lighting and ventilation, as well as major allowances for ventilation for any possible dust explosion.

5. All materials must be non-combustible; and electrical, mechanical items must be to as great an extent as possible explosion proof.

6. The arrangement must be capable of physical extension in all its functions.

Operation Requirements

1. The plant must have the ability to receive grain at a very high rate. Here we assume a House, capable of 740,000 bushels live storage and a handle annually of 2,220,000 bushels. In such a House the ability to handle 18 to 20 vehicles per hour seems mandatory. This rate, if it can be assumed that the average load will be approximately 200 bushels, will require two weighing and dumping platforms, and will allow a House turnover in approximately 20 days on a 10 hour day basis.

To achieve these rates it is essential that the assessment of grade, dockage etc., as well as the administration of agreement to purchase and payment, or special handle, be done remote from the weigh platforms. Delivery vehicles must stop at a Grading Administration Office for this purpose and after grading proceed to the dump platform where unloading and weighing will occur. After unload the vehicle will return to the office for the finishing of his cash ticket or documentation as required (see illustration). It will be necessary to handle several vehicles at a time for administration. It will be necessary also that all instructions for the handling of the grain originate at this Administration Office and be passed to the weighman, who will have complete control of the flow of grain from his weigh station. Communication between this office and the elevator weighman must be fast and probably include ticket dispatching equipment.

2. Unloading equipment, including truck scaling must be platform dump type of high capacity and capable of dumping all vehicles to the largest semi-trailer units. The unloading operation at each pit must be capable of approximately ten vehicles per hour.

3. Weighing must be semi-automatic, preferably dial reading, self damping and equipped with printing equipment for printing weights gross, wagon and net on cash or storage tickets.

4. Conveying equipment should be high capacity, and where possible, totally enclosed. All conveying equipment must be capable of complete operation and direction from the weighman's console. The weighman must have the ability to control all grain flows, and at the same time the House must be equipped so that fast loading of box cars can occur at the same time that receipt on all receiving legs and weigh platforms is going on. It is essential that the weighing, receiving and storing operating be capable of being handled by one man. It is essential that two men can handle the full mechanical operation of the house, including receiving, storing, drawing off, weighing and shipping.

5. Every attempt must be made to foresee other possible operations such as feedmilling, fertilizer mixing etc. in the elevator complex, and these extensions should be allowed for, if possible, in the layout and use of the mechanical equipment.

Location

Considerations for the locating of a consolidated elevator will be many. Below we give the main items under which the general location will be considered, and later the items under which the specific location will be arrived at.

Considerations for General Location

1. The concentration and productivity of the farms in the area.

2. The present established road systems and forecasts for future developments.

3. The location of the existing centres of administrative, economic, social and commercial activity within the area.

4. The probable availability of rail services both now and in the future. It is conceivable that there will be established feeder or transfer country elevators in areas not enjoying rail services.

5. The opportunities available to operate allied business in conjunction with the elevator complex. This will probably be in the distribution of basic farm supplies.

6. The competitive situation, that is the location, type, growth and prosperity of elevators of competing companies in the area.

Considerations for A Specific Site

1. Economics—land costs, service costs, construction costs, taxes and assessments.

2. Immediate accessibility from highways.

3. Its proximity to a centre of population and urban economic, social and commercial facilities.

4. Its accessibility to one or more railways and their services.

5. The availability of power, water, sewer and fire protection at the site.

6. The availability of sufficient land in one block which will provide for all requirements in the future in grain handling and merchandizing. It is not inconceivable that the initial property should, if available at justifiable costs, be sufficient to allow for the development, sale or the lease of portions to compatible enterprises which would enhance the whole operation (perhaps a bank branch, service station, equipment distributor and shopping centre).

7. There are structural considerations as to the specific site largely in connection with the costs of foundations and pavements.

SUB-APPENDIX 1

COUNTRY ELEVATOR MARGINS

It seems to be convenient to consider elevator handlings on the basis of a Composite bushel based on relative volumes handled and arriving at a Composite per bushel revenue.

Assume handling of grain as follows:

Grain	Percent
Wheat	68.74
Oats	5.31
Barley	22.64
Rye	0.77
Flax	1.66
Rapeseed	0.88

These percentages applied to the specified buying margins indicate:

	W	O	B	R	F	R	TOTAL
Commission	0.688	0.033	0.226	0.008	0.017		0.972
Handling	2.062	0.133	0.679	0.023	0.083	0.044	3.024
Flax trading					0.159		0.159
Rye Trading				0.028			0.028
	2.750	0.166	0.905	0.059	0.259	0.044	4.183

Thus the Composite Bushel indicates an earning of 4.183 cents per bushel.

BUYING MARGIN=4.183¢ per bushel

Apply this principle to storage revenue as follows:

Grain	Percent	
Wheat	68.74	
Oats	5.31	
Barley	22.64	
		96.69
Rye	.77	
Flax	1.68	
Rapeseed	.88	
		100.0

96.69 per cent of grain stored is stored at 1/30¢ per day, therefore, the total is stored at:

$$96.69 \times \frac{1}{30} \times \frac{1}{100} = .0322¢/\text{bushel/day}$$

STORAGE MARGIN = 11.75¢/year

Additional income bid on shipments which we name Elevator Service Allowance varies on distribution of shipments East-West-Mills-Churchill and is assumed to average 1.586¢ per composite bushel shipped.

E.S.A. = 1.586¢/composite bushel shipped.

SUB-APPENDIX 2

COUNTRY ELEVATOR OPERATING COSTS

The figures shown in this Appendix are for a typical installation with an elevator of 50 thousand bushels and an attached crib annex of 40 thousand bushels. The elevator we assumed averaged 85% capacity storage and the annex 100% storage or an average store for twelve months of 82,500 bushels. We assume here a handle of 135,000 bushels which is about maximum under the present circumstance of available crop and storage.

OPERATING COSTS

Wages and Salaries		
Agent's Salary	$ 3,300.00	
Helper's Salary (part time)	1,250.00	
Casual Labour	150.00	
Retirement Plan	92.04	
U.I.C.	44.64	
Insurance (Group Life)	27.00	
Profit Bonus	300.00	
Liability Insurance & Workmen's Compensation	49.50	
Total Wages and Salaries	5,213.18	$ 5,213.18
Agents & Payers bonds per annum	23.50	
Premium rate, spec. excess bond	15.40	
License	32.25	
Licence Tax	2.75	
Assessments to affiliated associations	12.50	
Market Quotation Service	7.72	
Board of Grain License	5.00	
Winnipeg Grain Exchange	1.00	
Commission of Oaths	1.00	
Taxes including Agents Residence	870.00	
Gas, Oil, Power, etc.	301.00	
Site Rent	25.00	

Repairs, inspection & maintenance (scale etc.)	471.00	
Telephone, Postage & Miscellaneous	250.00	
Residence Repairs	165.00	
	2,183.12	
Less: Rent Agent's Residence	360.00	
	1,823.12	1,823.12
Insurance		
Structure (85,500.00) @ .6348/C	542.75	
Grain 1.25/bu/ @ .6348/C	654.47	
Residence	15.69	
	1,212.91	1,212.91
Forward		8,249.21
Depreciation and Interest		
Depreciation 5% on 85,500.00		4,275.00
Interest 3% on whole amount annually		2,565.00
TOTAL SITE COSTS		$ 15,089.21

SUB-APPENDIX 3

COUNTRY ELEVATOR INCOMES

The case shown is as for the typical elevator outlined in Appendix 2.

Storage 12 months average	82,500 bushels
Handle over 12 month period	135,000 bushels

On the basis of existing rates: (Appendix 1)

Handle Revenue		
135,000 bushels @ 4.183¢	$	5,647.05
Elevator Service Allowance		
135,000 bushels @ 1.586¢		2,141.10
Storage Margin		
82,500 bushels @ 11.75¢		9,693.75
	$	17,481.90

SUB-APPENDIX 4

THEORETICAL EXAMINATION OF A NEW COUNTRY ELEVATOR SYSTEM

Assumptions

1. Average yearly handle by the system 60 million bushels
2. Average turnover factor 3
3. Number of elevators 27 (See Map A-3)
4. Average elevator capacity $= \frac{60{,}000{,}000 + 25\% \text{ (spare space)}}{3 \times 27}$
   $= 740{,}000 \text{ \& } 185{,}000 = 925{,}000$ bu/average elevator
5. Cost of construction $925{,}000 \times 1.25 = 1{,}156{,}250.00$ per average elevator

Operating Costs Per Average Elevator

Wages & Salaries		
1. Agent	6,000.00 incl. fringes	
2. 3/Asst. Agent	12,000.00 incl. fringes	
3. Casual Labour	1,500.00 incl. fringes	
		$ 19,500.00
Rent and Taxes		12,000.00
Office and Plant expenses		4,000.00
Bonds, Licenses, Commissions		650.00
Insurance Contents	925,000.00	
Structure	1,156,250.00	
	2,081,250.00 @ 20¢ per C	
(based on structures of concrete)		4,162.50
Maintenance and Repair		5,000.00
Depreciation 5%		57,812.50
Interest 3% on whole amount annually		34,687.50
		$ 137,812.50
Change Assumption $5 to 1.00 per bushel		
Total Annual Cost		$ 118,850.00
Change Assumption $5 to 75¢ per bushel		
Total Annual Cost		$ 99,887.50

SUB-APPENDIX 5

OPERATING REVENUES FOR A NEW COUNTRY ELEVATOR SYSTEM

Revenues of Elevator illustrated in Appendix 4 on the basis of existing rates:

Handle revenue = 3 × 740,000 @ 4.183¢	92,862.60
Elevator Service Allowance = 3 × 740,000 @ 1.586¢ ..	35,209.20
Storage Margin = 740,000 @ 11.75¢	86,950.00
	$215,021.80

(Please see fold out maps at the back of this issue.)

APPENDIX II

SUBMISSION

of

MANITOBA POOL ELEVATORS

to the

STANDING COMMITTEE ON AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Winnipeg, Manitoba,

FEBRUARY 10, 1967.

To the Chairman and Members,
The Standing Committee on Agriculture,
Forestry and Rural Development,
House of Commons,
Ottawa, Canada.

Gentlemen:

It is my pleasure, on behalf of the membership of Manitoba Pool Elevators, to welcome you to Manitoba and to the City of Winnipeg in which is situated the Head Office of this Co-operative grain-handling company.

This is, I believe, the first time the Standing Committee on Agriculture, Forestry and Rural Development has come to Western Canada to conduct hearings on problems relative to our basic industry of agriculture. I am certain, Mr. Chairman, that the various presentations and the discussion emanating from them will prove enlightening to the members of your committee, and that the results of the findings will be beneficial to Canada.

This submission is made on behalf of 35,000 farmers of Manitoba who constitute the active membership of this company. Manitoba Pool Elevators is wholly owned by 214 local elevator associations scattered throughout the farming areas of Manitoba, and operates in excess of 300 grain elevators in the province. In addition to the operation of country and terminal grain elevators, Manitoba Pool Elevators is also engaged in the manufacture of fertilizer and distribution of farm supplies; in livestock marketing; and in the operation of a meat packing plant located at Brandon, Manitoba.

Because of its involvement in the many areas concerned with the marketing of agricultural products and with serving the needs of the farmer-members, Manitoba Pool Elevators makes this submission not only as a grain handling organization but as a representative of much of the agricultural industry of the province. The contents of this modest brief as presented for your consideration deals with a relatively few but nevertheless important conditions which affect

the agricultural industry and the economic and social position of the farmers of Manitoba:

1. Grain production, handling and marketing
2. Labor-Management—The Canada Labor (Standards) Code
3. Review of the present grain-grading system
4. Transportation—Bill C-231
5. Feed Grains:
   (a) Government freight assistance policy
   (b) Livestock Feed Grains Board
   (c) research in feed grains
6. Regional development

GRAIN PRODUCTION, HANDLING AND MARKETING

Production

Western Canada has been favoured with above average grain crops for some two decades, culminating in a wheat yield of 850 million bushels in 1965. Assuming ever increasing world demand, the prairie provinces could, with favorable climatic conditions coupled with improved wheat varieties, tillage methods and greater use of fertilizer, realize a production potential approaching one billion bushels. In addition, increased demands for feed grains—both domestic and foreign—will doubtless result in larger volumes being handled through grain channels.

Should these factors materialize, there will doubtless develop acute problems in the handling and storing of grain at country and terminal elevators; in the transportation of grain to lake-head or ocean ports; and in the merchandising problems relative to an ever growing consumer demand of varying quality preferences.

Even if our grain outturn does not appreciably increase, technological developments in all areas of production, handling and marketing of Canadian grain is such that the entire process will require constant research and review.

Handling

A large percentage of both country and terminal elevators are becoming obsolete. Some 75 per cent of all country elevators now in use were constructed prior to 1940, and many of them prior to 1920. In total elevator lines require enormous repair or renewal programs. Handling tariffs alone do not permit sufficient return on invested capital to allow carrying out an extensive modernization program.

If the tempo of grain moving into export channels continues to accelerate, storage earnings will automatically decrease and compel an increase in handling tariffs.

It should be noted that country elevator earnings are from two main sources:

(a) Handling tariffs
(b) Storage

Manitoba Pool Elevators' country elevator operating costs, including depreciation, approximate 7.0 cents per bushel. The Canadian Wheat Board handling agreement is 4½ cents for wheat and barley and 3½ cents for oats. Consequently, handling tariffs fall short of a break-even figure by 2.5 cents to 3.5 cents per bushel. The storage revenue of the 1965-66 crop year for Manitoba Pool Elevators was 2.2 cents per bushel related to total grain receipts.

Country elevator construction costs, which averaged about $1.00 per bushel in 1957, are nearing the $2.00 per bushel mark in 1967. Much the same comparative cost figure can be shown for elevator operating expenses, due mainly to heavy real estate tax increases; repair and maintenance costs; revised salary schedules, and incidental expense items.

We wish to point out that any arbitrary restriction in hours of work will increase the labour cost content. In today's labour market good working conditions are necessary to attract competent elevator managers, and we are having to include such items as dust control machinery in our elevators as well as provide a certain amount of subsidy for modern housing conditions for the manager and his family.

Country Elevators

Manitoba Pool Elevators will spend approximately $2 million this coming year on major maintenance, modernization and replacement of country elevator facilities. This program must continue for several years at this level if the present elevator system is to be adequately maintained.

Acceleration of rail line abandonment and increasing costs of labor, materials and machinery will extend this annual expenditure and prolong the program beyond the foreseeable future. Based on a future average annual handle of 50 million bushels, this $2 million outlay is equal to 4 cents per bushel per year.

Numerous examples of the need for major expenditures can be found at most of our grain delivery points in this province. For instance, many farm trucks delivering grain today are rated at 5-ton capacity compared to the half-ton or one-ton truck of ten to twenty years ago. A ten-ton scale costing about $1,000 was standard equipment for the 1930 elevator, while the 30-ton scale now required for the larger trucks costs approximately $6,000. Dust removal equipment and storage tanks not in use twenty years ago are now considered necessary equipment in most country elevators where owners are desirous of employing competent managerial staff. Electric box car spotters and faster elevating machinery may also be cited as additional equipment now considered essential.

Terminals

In May 1963 Manitoba Pool Elevators completed construction of Pool Terminal No. 1 at Port Arthur, Ontario. This elevator has a capacity of 6 million bushels (which includes 1½ million bushels of former storage facility) and was built at a cost of approximately $10 million. This was a major undertaking for a relatively small company such as Manitoba Pool Elevators, having country elevators located and concentrated in the grain growing areas of Manitoba.

This was the first new elevator or major construction undertaken at the Lakehead since 1928, and our experience since has fully justified the risk taken

at the time. This facility has a modern up-to-date workhouse, and is equipped to load the largest great lakes or ocean-going vessels in the most expeditious manner. We spent some $15,000 dredging the slip and channel out to deep water—both Federal government property.

This elevator has handled slightly over 100 million bushels of wheat since coming into operation, in addition to substantial quantities of oats and flax. I believe this is approximately 9% of all the wheat shipped from the Lakehead since June 1963, and I have heard the Chairman of the Wheat Board make the comment that it was quite doubtful if Canada could have exported as much as she did during the last two or three years had it not been for this particular terminal. There is no doubt that the additional drying facilities in this terminal in the crop year 1965-66 aided greatly in drying and salvaging hundreds of thousands of bushels of damp grain, to the great benefit of the producers.

The Board of Directors of Manitoba Pool Elevators has, for the crop year 1966-67, authorized a capital expenditure of $600,000 for installation of a mechanical dumper at Pool 3 with a rated capacity to unload 12 box cars per hour with a minimum of labor requirement. In addition we are required to authorize an expenditure in excess of $500,000 in the modernization of some of the electrical equipment as required in Terminal No. 3 by the Department of Labour. In total, over the past seven years we have made capital expenditures amounting to $13,000,000.

I recite these figures, Mr. Chairman, so that your committee may comprehend the magnitude and importance of the grain handling facilities both in the country and at the Lakehead. I think I am quite modest when I claim that the farmers' co-operative companies led the way in modernization and preparation for Canada's anticipated grain export requirements. Incidentally, we have done this on our own resouces, without any government assistance.

Bill C-126, the Canada Labour Code, stipulating minimum wages and hours of work gives no concern in respect to terminal elevators' employees as to *rates of pay* because our established rate is very much higher than anything contemplated in the Act. However, I must point out that the stipulation in respect to *hours of work* could have a very significant effect on the efficiency and costs of operation of the elevators, and particularly our ability to load grain into vessels.

We are quite prepared to pay the overtime. This is already provided for in our contract with the Labour Union, but restricting the hours the men may work per day or week would, in our opinion, seriously interfere with loading vessels and permitting their quick despatch. Boats do not present themselves in regular pre-determined schedules. To delay one overnight when another half hour or hour would have completed the loading seems an unnecessary restriction.

Our experience has always been that the men wanted the extra work and the overtime. This is evidenced by the fact that they and the Union supervisors closely scrutinize the overtime granted to the different employees to make sure that each one has an equal chance to earn the additional money.

The elevator companies have asked for a deferment of the regulations provided in Bill C-126. In the meantime, we are endeavoring to devise a policy which conforms with the Act. We deplore the restrictive provisions of the Act which inhibit the economical and expeditious movement of grain. We note that

the hours of work provisions are in conflict with our Union agreement; therefore we recommend that the Canada Labour (Standards) Code be amended permitting the employer and its Union to negotiate a contract.

MARKETING

The Canadian Wheat Board

Manitoba Pool Elevators whole heartedly support the principles and marketing practices of The Canadian Wheat Board. Exports of wheat have proven to be one of the important bulwarks in the Canadian balance of international trade. Large forward contract sales involving intermediary credit arrangements are such that the involvment of the Federal government and its treasury is imperative to such transactions.

Canada exports about three-quarters of its entire wheat output, which in some years has exceeded 500 million bushels. To move this quantity of grain from farms into export channels requires a tremendous detail of planning from the country and terminal elevator level, through the transportation system by rail and water. Consequently a degree of control is required, and this can be most efficiently regulated by an authority such as the Canadian Wheat Board.

The marketing practices of the Canadian Wheat Board, combined with the grain grading and elevator handling regulations under the Board of Grain Commissioners for Canada, make a very efficient system from the point of view of the foreign importer, and a most satisfactory system for the western farmer.

The degree to which the Wheat Board method of marketing is approved by members of Manitoba Pool Elevators may be judged by the results of the plebiscite which was conducted by the Manitoba government in 1951. At this time Manitoba farmers voted by the overwhelming majority of 89.5 per cent to include oats and barley under Board operations. In addition, for the past several years resolutions have been passed at the annual meeting of Manitoba Pool Elevators asking that the Federal government include rye, flax and rapeseed under Board operations. Although these grains do not in total amount to a very large percentage of the grains now handled by the Board, their inclusion is important insofar as quota deliveries are concerned.

Pursuant to the points mentioned, the provisions of the Canadian Wheat Board Act allow, by Order-in-Council for fixing initial prices for wheat, oats and barley each crop year, which is, in effect, a floor price (less freight and handling charges). The Board also regulates, through a quota system, the deliveries of grain to country elevators, and hence to terminals for export. Thus the "pipeline" is—insofar as possible—filled with the kinds and grades of grain for which there is demand, and which in turn assists the transportation system to move the large amounts of grain into export position. The quota system of deliveries allows all producers to share equally in the available storage space which, in years of limited deliveries, is of utmost importance to the individual farmer's credit arrangements.

The Federal government has facilitated credit sales of grain under the Export Credits Insurance Act, which allows Canada to make favorable arrangements for forward sales of large quantities of wheat. The forward agreements in turn provide some guidance to the western farmer when planning his cropping program and purchasing the farm inputs such as fertilizer; all of which assists in

the "productivity for profit" at the farm level, and adds an important measure of stability to the farm business.

Finally, Mr. Chairman, I wish to remind the committee that almost the complete cost of operating the Canadian Wheat Board is borne by the grain farmers of western Canada—the exception being taken care of under the "Temporary Wheat Reserves Act", whereby the carrying charges on the quantity of wheat in the hands of the Board on July 31st of each year (which is in excess of 178 million bushels) is paid for by the Federal government. With this exception, and only after all Board operating costs have been allowed for, is the final payment allocated to the permit holder.

The International Wheat Agreement

International Wheat Agreements have been negotiated in the years 1953, 1956, 1959 and 1962. In all these negotiations the Canadian Wheat Board has been represented and consulted in regard to the technical aspect of the agreement and, since August 1st, 1949, the Wheat Board has represented Canada in the administration of Canadian participation in the earlier agreements.

This point is noted to emphasize again the importance of the Wheat Board, not only in the internal regulations of grain handling but also at the international level, in which arenas negotiations are of such importance to the Western Canadian grain producer.

It can generally be conceded that wheat production costs have materially increased since the last International Wheat Agreement was signed on July 31, 1962. Resolutions from various farm organizations in Western Canada have unanimously approved a request for a substantial increase in the minimum and maximum prices of the present agreement, which were set at $1.62½ and $2.02½ per bushel, respectively, under the old agreement (basis American funds at Lakehead, No. 1 Northern Canadian).

Manitoba Pool Elevators fully endorses the request that the Canadian Government press for and ratify a new International Wheat Agreement at a substantially higher figure.

LABOUR MANAGEMENT—THE CANADA LABOUR (STANDARDS) CODE

Labour-Management Court

In the past several years labour strikes at the various levels of grain handling and transportation have proven costly to the Western grain producer and, indeed, to the entire economy of this country.

Wheat exports are one of the largest dollar-earning commodities in Canadian commerce, and as such one of our most important exports. Large-scale forward contracts promising delivery two or three years in advance are being hampered every few months by work stoppages of one kind or another. The effects of these strikes imposed on the entire society by a relatively few workers is far-reaching and costly. Some strikes have not only hampered the movement of grain but have thrown innumerable impartial wage earners out of work for lengthy periods.

For several years the western Wheat Pools have proposed that the Federal Government set up a Labour-Management Court similar to the Swedish or the Australian system of national mediation service.

Experience in these two countries has indicated a minimum of work stoppages and a general improvement in labour management relations. Manitoba Pool Elevators will give whole-hearted support to legislation setting up a Labour-Management Court for Canada.

The Canada Labour (Standards) Code with four general areas affecting the employment of individuals. These are:

Part I—Hours of Work

Part II—Minimum Wages

Part III—Annual Vacations

Part IV—General Holidays

Parts II, III and IV have presented no significant difficulties to Manitoba Pool Elevators. Part I, however, is a different matter.

In most divisions of the company we had already established hours of work equal or better than those stipulated in the Code. However, two main areas of work required special attention in respect to application of the Code. These were: Country Grain Elevators and our Construction and Repair Department.

The hours of work of our Construction and Repair Department are to be changed to comply with the dictates of the Code.

Regulating the hours of work of Country Elevator Managers however, seems to us to be an impossible task. We contend first that these men do perform managerial functions. It is unfortunate that Section 3, Paragraph 3 of the Code did not include Country Grain Elevator Agents along with Managers and Superintendents. We contend that our Country Elevator Agents are Managers because:

(a) They have the right to employ and terminate the employment of temporary employees as required.

(b) Each of these men is responsible for the operations of a plant costing in the neighborhood of $100,000. Elevator Managers are located at approximately 240 different towns in Manitoba and work with a considerable amount of freedom, subject onyl to various Federal regulations and periodic supervision from Travelling Superintendents, consisting on the average of one visit per month.

(c) Elevator Managers deal with the public at large and in some cases have approximately 700 patrons.

(d) They are responsible for the grading, weighing and docking of all grain delivered to their respective elevators. It is their responsibility to pay each patron the correct amount of money for his grain at the time of delivery. The method of payment is in the form of a cash ticket, which is a negotiable document. In the course of a year a Country Elevator Manager is responsible for the payment of approximately $250,000 for grain purchased by him. This is an average figure only, and at larger grain delivery points Country Elevator Managers are responsible for the payment of $650,000 to $750,000 in one year. The method of payment is by a handwritten cash ticket containing *only* the Manager's signature.

(e) They are responsible for the stocking and selling of farm supplies, machinery, chemicals, seed and fertilizer, for which they are paid commissions in addition to their regular salaries.

(f) These men are subject to the dictates of the Canada Grain Act and its regulations as administered by the Board of Grain Commissioners. The Managers must be licensed by the Board of Grain Commissioners; are subject to periodic audits; and must adhere to stringent regulations established by the Board in respect to overages and shortages.

Should their audits show grain in excess of the permissible amounts, they are brought before the Board of Grain Commissioners to explain the reasons for averages. Subject to the decisions of the Board of Grain Commissioners their licenses can be cancelled, which would mean they could no longer hold the position of a Country Elevator Manager. Further, certain regulations of the Canada Grain Act could place these Managers' bonds in jeopardy and make them subject to fine or imprisonment.

(g) They are also responsible for the granting of credit to patrons and the making of collections.

(h) Unlike most company requirements whereby signatures of two officials constitute the legal transaction, the Canada Grain Act requires only the signature of the Elevator Manager to honor a cash ticket—which at times amounts to several thousand dollars. This fact provides added responsibilities to the duties of the Elevator Manager which are not inherent in the practices of most companies in Canada.

In addition to the managerial function inherent in the responsibilities of a Country Elevator Agent, we wish to bring to your attention the following problems:

(a) To restrict the Elevator Manager's work would militate against the requests of the Canadian Wheat Board for rapid shipment of grain required to meet export sales commitments. Compounding this problem is the fact that they are subject to the various schedules established by the railways for the spotting of box cars at country elevators. For example: box cars may be spotted at an elevator at 5 p.m. on any given day and these cars must be loaded by 8 a.m. the following day if they are to be picked up by the return weekly freight train. Should a Manager not comply with this type of schedule he may not have another box car spotted at his elevator for perhaps a week; consequently his shipments to the Lakehead would be curtailed. When we consider the number of elevators similarly affected it is apparent the degree to which our export sales would suffer. Canada's wheat exports are of paramount importance to the entire economy of this country. Consequently any restriction which tends to impede and slow down movement of grain cannot but have detrimental effects. The grain transportation system is now geared to a continuous flow of grain from country to export positions in order to meet the deliveries of our forward contract sales. The Elevator Manager cannot adhere to rigid hours of work as determined by the Code and continue to keep grain moving.

(b) The work of an Elevator Agent is seasonal and subject to wheather conditions. Even during the busy harvest seasons an Agent could find himself idled by inclement weather for days or weeks. When the weather improved he would find it necessary to work fairly long

hours in order to give adequate service to his patrons and to comply with shipping orders established by the Canadian Wheat Board.

(c) The matter of restricted hours of work has been discussed with a random group of Elevator Agents who have informed us that they do not want such restrictions. They agreed that at certain times of the year they must work excessive hours, but they also pointed out to us that because of the nature of their work they are able to attend various bonspiels, community events and other activities such as hunting. These activities necessitate their being absent from their work for a varying period of time, but such leave is not generally considered to be part of their vacation.

One further problem in this connection is the question of who would be responsible for keeping the Manager's time sheet? His immediate superior is the Travelling Superintendent, who may call at the elevator about once per month and consequently cannot be held responsible. This leaves the Elevator Manager as the sole recorder of his own hours of work, and therefore places him in an embarrassing, if not impossible, position in recording overtime.

We believe the best way to deal with the problem of applying the Canada Labor (Standards) Code to the hours of work of a Country Grain Elevator Agent would be to amend Section 3 of the Code to include Country Grain Elevator Operators as Managers. This would not only be in keeping with the fact that they are Managers, but would prevent delays in meeting export commitments of the Canadian Wheat Board.

REVIEW OF THE PRESENT GRAIN GRADING SYSTEM

Western Canada has for many decades enjoyed natural advantages in the production of high quality grains—especially bread wheats. The grain trade and producers, in co-operation with the Federal government, have developed a very extensive and efficient system of bulk handling grain in both country and terminal elevators. In addition a comprehensive grading system enables foreign importers to purchase cargoes of grain "sight unseen" with confidence that the delivered product will be equal to the grade designated.

The Canada Grain Act defines the various categories of statutory and commercial Western Canada grain grades. The operations of both country and terminal elevators are regulated under the terms of the Canada Grain Act by the Board of Grain Commissioners for Canada. A "certificate final" issued by this Board at time of shipment is the importer's guarantee that the cargo is of a quality equal to, or better than, the grade specified. The methods of receiving and loading out grain have worked well. Our inspection system is one that is understood by thousands of people engaged in the physical handling of our grain and has also been found acceptable to most importers of our grain. However, in a world of progress, where new scientific techniques are the order of the day; where new methods of grain production, storage and milling are being practiced; and where the eating habits of people in many countries of the world are continually changing, it is only to be expected that our grain grading system may also require periodic revision.

Partially due to the former but now obsolete methods of harvesting, and partially to the great amounts of plant nutrients formerly stored in prairie soils over eons of time, pioneer Western Canadian farmers were able to produce a large proportion of wheat grading No. 1 Hard and Nos. 1 and 2 Northern. These grades, in reality, paved the way for the world-wide acceptance of "quality" for our wheat.

The percentage of delivery of No. 1 Manitoba Hard has become insignificant since the advent of the combine. Deliveries of No. 1 and No. 2 Northern vary greatly, depending on growing and harvesting conditions. These top grades have long been in demand by Great Britain and Western European countries for blending with their domestic wheats to strengthen and improve the texture of the bread loaf. New milling methods may have recently decreased to some extent the requirement for these top quality wheats; while at the same time, markets in the Middle and Far East, and in Latin America, have developed which do not require top Canadian grades. In many cases these importing countries are much more interested in price than in grade. In general they are more concerned with the inconsistencies in protein and basic export standards, and with the relatively high moisture content of our grain in comparison to that available form some other countries.

The old adage that the customer is always right is also effective insofar as grain sales are concerned. We now have customers in most parts of the world. Different areas have different requirements; therefore, if changes are to be considered they should be carried out only after much careful research and examination of the whole grading and marketing complex and the impact on the producer at home and the importer abroad.

To this end it should be noted that an "Advisory Committee on Grain Handling and Grading" has recently been appointed to assist the Board of Grain Commissioners in reviewing the present statutory and commercial grain grading system.

Manitoba Pool Elevators whole-heartedly supports this study and has, in fact, appointed its General Manager as a representative of the committee. It would seem advisable that such items as the "inconsistency of basic export standard shipments", merchandising of the top four statutory grades at terminal level, moisture content and related problems in grading and handling should be reviewed.

TRANSPORTATION—BILL C-231

The proposed Bill C-120, dealing with a national transportation policy, allowed for branch line abandonment on a piecemeal basis which would have proven very unsatisfactory to grain producers and costly for grain companies and other local enterprises. Bill C-120 died on the order paper, and Bill C-231 was substituted. With relatively few exceptions this Bill is now acceptable to the agricultural community of Manitoba.

Manitoba farmers are relieved that the new Bill includes provisions whereby—through statutory declaration—certain branch lines are frozen until 1975. They are appreciative of having the opportunity of presenting their arguments for retention of those branch lines unprotected by Bill C-231. The one point of contention in this connection is the method of receiving and analyzing costing systems presented by the railways to the Transport Commission.

Our understanding is that the Commission will judge the merits of the railways' case for subsidy based on a costing analysis prepared by the railway companies and presumably examined by the Commission. Subsequently the Commission will determine whether a certain line is to be considered a candidate for abandonment. Our reservation is that the Act now precludes the local community representatives having the opportunity of analyzing costing systems or presenting arguments for branch line rationalization.

One further point might be recorded. It would seem advisable that close liaison between the Transport Commission and the provincial government of Manitoba be maintained. Provincial and municipal governments of this province require time to provide other avenues of transportation to market centres.

In conclusion it should be reiterated that Manitoba Pool Elevators strongly supports the principle of maintaining the Crow's Nest Pass statutory rates as an instrument of national policy under control of parliament. Nothing has materialized to prove that the rates are non-compensatory, therefore we do not consider the matter relevant for discussion at this time.

FEED GRAINS

Feed Freight Assistance Policy.

Western Canada has in general supported the principles of freight assistance for feed grains to eastern Canada and British Columbia since it was inaugurated as a World War II policy in 1941. Technological developments in agriculture have in the past decade possibly lessened the need for this assistance. For instance, Ontario has greatly increased its corn production and is rapidly becoming self-sufficient in feed grains. On the other hand, western Canada—and in particular the Province of Manitoba—is looking toward a substantial increase in livestock and poultry numbers, which will doubtless create a greater domestic market for feed grains in this province.

At the Seventh Annual Meeting of the National Farm and Business Forum held in Winnipeg in March of 1966 the representative for Ontario questioned the advisability or necessity of continuing the policy, citing that the aim of his province was to be almost self-sufficient in production of feed grains. Quebec's representative suggested that both the freight assistance policy and the Livestock Feed Board be eliminated in return for a free market for western feed grains. The Maritimes, on the other hand, were adamant in their stand to retain both policies. Obviously, there is not general approval for either the retention or cancellation of the freight assistance policy.

The 1965-66 economic analysis of the Feed Freight assistance policy carried out by the Agricultural Economics Research Council of Canada, concludes that there is no possibility of an increase in national income arising out of a policy such as a feed-freight assistance program.

Livestock Feed Board

The passage of Bill C-218, cited as the "Livestock Feed Assistance Act", may also have lessened the need for freight assistance. Under Bill C-218 the "Livestock Feed Board" as a Federal government agency will purchase its supplies at prices determined by the Canadian Wheat Board.

The two Crown boards operate under different ministries of the Federal government, and difficulties of price determination which will satisfy both the grain producers of western Canada and the feed grain buyer of eastern Canada or B.C. may materialize. While it is too soon to determine whether these separate boards can in fact function harmoniously and satisfactorily, it is proper at this time to point out that certain reservations do exist among some Western farm organizations.

As a wartime measure, in the interests of maximum production of livestock products, Manitoba Pool Elevators endorsed and supported the feed freight assistance policy, and has continued to support it until the present time. However, I must point out that many livestock and poultry producers in Manitoba feel that the freight assistance policy on feed grains does in some measure militate against their enterprises in the west. To the extent that feed freight assistance encourages increased production and lessens production costs in the east, the western producer's competitive advantage is proportionately lessened. Finished poultry and meat products from the west must bear the total cost of transportation to the eastern deficit market. On the other hand, the producer of cash feed grains in the west obtains some advantage in the eastern market by virtue of the feed freight assistance policy.

Government controls have much to offer in many areas of agricultural trade. Some agricultural products lend themselves to one type of marketing technique while others require a different treatment. Technological developments tend to change these requirements. Periodic review would appear to be useful.

Research in Feed Grains

The production of feed grain in western Canada appears to have lagged behind other sectors of our agriculture industry. In particular, varieties of feed barley have not produced yields considered economically competitive. Possibly we have over-emphasized malting barley production at the expense of the feed types.

Manitoba is well suited to the production of special crops, and a considerable acreage has in past years been sown to sugar beets, sunflower and rapeseed. We believe more corn and soya beans could be produced and possibly a much larger acreage of potatoes and other vegetables.

The development of this province can be appreciably enhanced by a more intensive type of agriculture. Greater demand for foodstuffs of all kinds seems evident. Higher standards of living are gradually increasing the demand for meat at home and abroad. To improve our position in respect to livestock production a great deal of research must be carried out relative to grazing and feed grain output.

We suggest a crash program should be immediately started which will include research in corn, soya beans and feed barley varieties more suited to our climate. Doubtless expenditures on other feed grain types such as 'Triticale' would be a sound investment. The demand for feed grains from Europe, Japan and other countries where higher living standards are creating markets for livestock and poultry products will doubtless increase. Manitoba should, and must, be prepared for such eventualities.

The time for Federal and Provincial governments to invest in well planned research programs for the purposes herein outlined is now at hand. Mr. Chairman and members of the Committee, may we ask your earnest consideration of this suggestion.

REGIONAL DEVELOPMENT

It is a recognized function of government policy, in industrial as well as in farm sectors of the economy, to stimulate productivity through policies of providing direct grants and assistance. This is a field in which joint action and joint sharing of costs by federal and provincial governments is appropriate.

The successful program of the future must have two main ingredients —research on the one hand, and education and skill training on the other. This is an area in which the new Federal Department of Manpower should prove very beneficial, and every avenue for successful Federal-Provincial co-ordination of manpower development should be explored.

Several plans have, in fact, been put forward in the last decade for development of marginal areas in various parts of Canada. For instance, we have the Federal Agricultural Rehabilitation and Development Act program and the Area Development Act, both of which are designated as measures to create employment by developing the agriculture industry, and the industries servicing agriculture. The ADA program in particular appears to have primed an industrial expansion in several formerly depressed areas of this province.

Initially ARDA was designed to promote alternate uses of land classification, increase employment opportunities in rural areas, encourage soil and water conservation, and undertake research projects to determine the most productive uses of rural resources. On a limited basis ARDA is correlating policies of development in certain areas of the province, but there appears to be an apparent lack of positive and aggressive action in launching a truly effective program as provided for in the Act.

The Manitoba Development Fund too has given impetus to a number of small industries and a few fairly large manufacturing concerns. In general, however, the province is not developing large-scale heavy industry and therefore not attracting people within its borders in any appreciable numbers. Perhaps it is not possible for Manitoba to become industrially oriented to heavy industry.

Situated in the central section of this far-flung country it may not be realistic to expect great industrial complexes to locate in this region. This type of industrial complex will doubtless locate where the largest markets are available, and consequently where the majority of the population is now or is likely to be situated.

This does not mean that Manitoba will eventually become a depressed area—in fact the opposite could, we believe, be realized. Although this province does not have a large agricultural acreage in comparison to our sister prairie provinces, it is blessed with very fertile and productive soils, a plentiful supply of water, and relatively cheap electric power—all of which are essential to greater productivity in farming.

Special crops, irrigation, livestock production, and a generally intensive type of agriculture can make this a very prosperous region of Canada. The service industries required by intensive agriculture are many and varied. They require a great many skilled employees, most of whom in one way or another would become a part of the Agribusiness complex.

To carry out this program to the best advantage Manitoba needs a crash research program in several areas of agricultural endeavor. For instance, we require high yielding corn and soya bean varieties of early maturity to match our frost-free cropping period. We need better quality and higher yielding feed barleys for livestock feeding at home and for export aboard. Possibly new grains such as Triticale, which is being developed at the University of Manitoba (and for wihich research Manitoba Pool Elevators has contributed some $60,000 in the past ten years) might provide part of the solution.

We require also much more research on fertilizers, soil management and farm management generally. Today's farmers could use more advice in farm accounting, better use of long-term, intermediate and short-term credit, and judicious use of farm inputs to maximize production for profit.

Finally, we believe it should be pointed out that heavy industry, surrounded by densely populated areas, does not necessarily result in the highest standards of living for the individual. For instance the central areas of the United States, which are primarily agricultural, have a comparatively limited population and a standard of living not duplicated in any region of the world. With a well-planned program it is quite possible for the citizens of Manitoba in the foreseeable future to reach or surpass this enviable goal.

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OF

PROCEEDINGS AND EVIDENCE

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LÉON-J. RAYMOND,

The Clerk of the House.

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PROVINCE OF ALBERTA

ALBERTA WHEAT POOL COUNTRY ELEVATORS

LEGEND

MAJOR HIGHWAYS
RAILROADS

POPULATIONS

	PROV. CAPITOL		5,000 - 10,000
	UNDER 250		10,000 - 25,000
	250 - 1,000		25,000 - 50,000
	1,000 - 2,500		50,000 - 100,000
	2,500 - 5,000		100,000 & OVER

ENGINEERS CONSTRUCTORS

BMQ
BARNETT-McQUEEN COMPANY LIMITED

FORT WILLIAM ONTARIO

MAP - A-1.

PROPOSED GRAIN ELEVS. R.R. TO HAY RIVER 386 MILES

HINES CREEK
NOR. ALTA. R.R.
BERWYN
GRIMSHAW
ROMA
DAWSON CREEK
SPIRIT RIVER
EYCROFT
NOR. ALTA. R.R.
BARRHEAD
DUNMORE
McLENNAN
HYTHE
BEAVERLODGE
WEMBLEY
GRANDE PRAIRIE
HEXSMITH
HIGH PRAIRE
NOR. ALTA. R.R.
LAC LA BICHE
BOYLE
NOR. ALTA. R.R.
WESTLOCK
BARRHEAD
NOR. ALTA. R.R.
CAN. NAT. R.R.
STONY PLAIN
SPRUCE GROVE
EDMONTON
CAN. PAC. R.R.
CAN. NAT. R.R.
TOFIELD
HOLDEN
CAN. NAT. R.R.
VIKING
MILLET
CAMROSE
WETASKIWIN
CAN. PAC. R.R.
IRMA
WAINWRIGHT
EDGERTON
CAMPBELL
DAYSLAND
STROME
KILLAM
CAN. PAC. R.R.
SEDGEWICK
HARDISTY
PROVOST
PONOKA
CAN. NAT. R.R.
BASHAW
MIRROR
ALIX
LACOMBE
BLACKFALDS
RED DEER
CAN. PAC. R.R.
INNISFAIL
BOWDEN
OLDS
DIDSBURY
CARSTAIRS
CROSSFIELD
AIRDRIE
CAN. PAC. R.R.
CALGARY
CAN. PAC. R.R.
STRATHMORE
CAN. PAC. R.R.
GLEICHEN
CAN. PAC. R.R.
HANNA
CAN. NAT. R.R.
YOUNGSTOWN
OYEN
CAN. PAC. R.R.
BROOKS
CAN. PAC. R.R.
HIGH RIVER
CAN. PAC. R.R.
HANTON
CAN. PAC. R.R.
STAVELY
CLARESHOLM
GRANUM
CAN. PAC. R.R.
FORT MACLEOD
LETHBRIDGE
CAN. PAC. R.R.
STIRLING
CAN. PAC. R.R.
YABER
CAN. PAC. R.R.
GRASSY LAKE
CAN. PAC. R.R.
MEDICINE HAT
CAN. PAC. R.R.
BOW ISLAND

PROVINCE OF ALBERTA

ALBERTA WHEAT POOL
COUNTRY ELEVATORS

LEGEND

MAJOR R.R.
ESSENTIAL R.R.
NOR. ALTA. R.R.

POPULATIONS

PROV. CAPITOL	5,000 - 10,000
UNDER 250	10,000 - 25,000
250 - 1,000	25,000 - 50,000
1,000 - 2,500	50,000 - 100,000
2,500 - 5,000	100,000 & OVER

ENGINEERS CONSTRUCTORS
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FORT WILLIAM ONTARIO

MAP - A-2.

PROVINCE OF ALBERTA

ALBERTA WHEAT POOL
COUNTRY ELEVATORS

LEGEND

- MAJOR R.R.
- ESSENTIAL R.R.
- NOR. ALTA. R.R.
- 40 MI. RADIUS
- 30 MI. RADIUS

POPULATIONS

- PROV. CAPITOL
- UNDER 250
- 250 – 1,000
- 1,000 – 2,500
- 2,500 – 5,000
- 5,000 – 10,000
- 10,000 – 25,000
- 25,000 – 50,000
- 50,000 – 100,000
- 100,000 & OVER

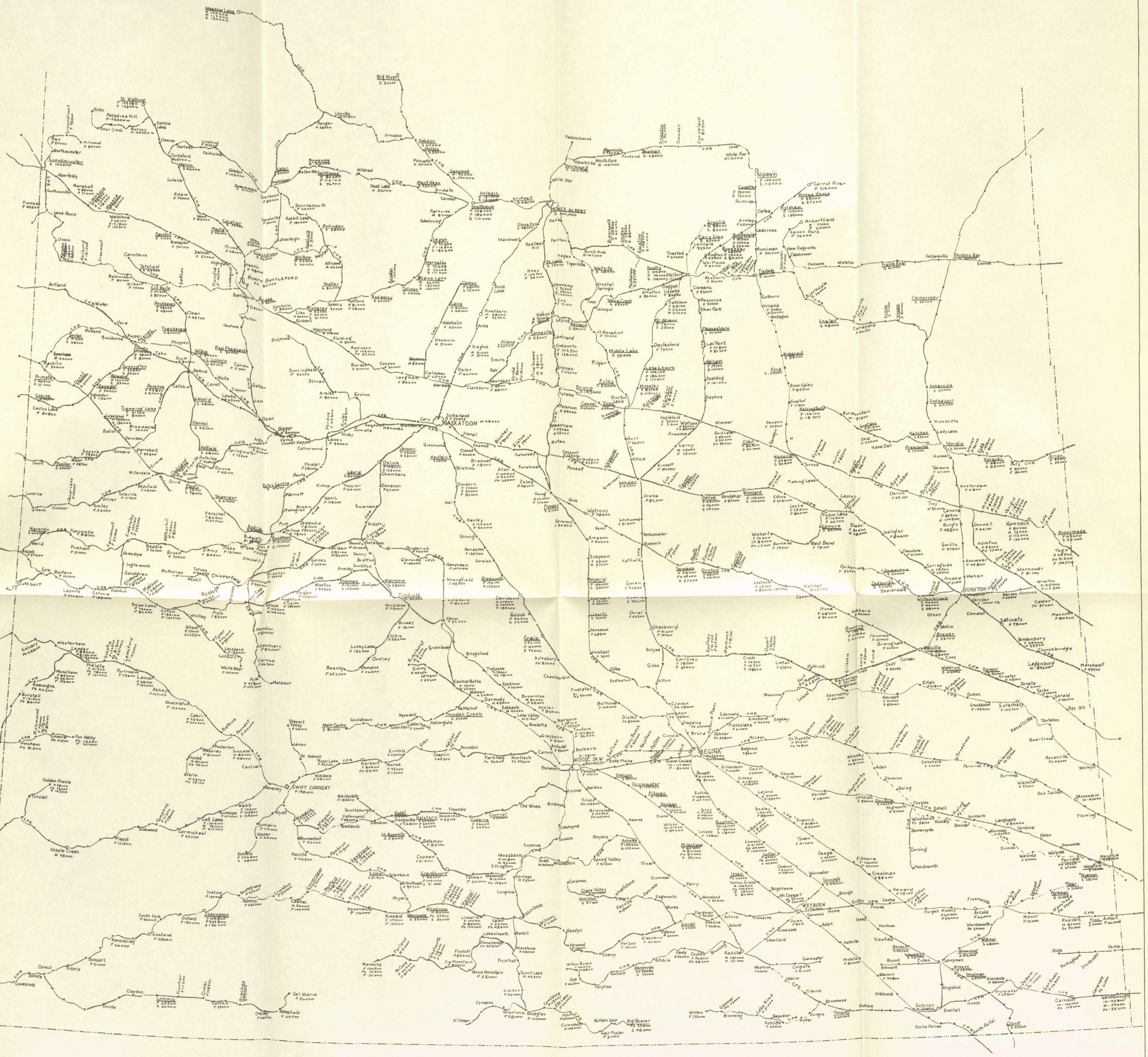
ENGINEERS CONSTRUCTORS

BMQ
BARNETT-McQUEEN COMPANY LIMITED

FORT WILLIAM ONTARIO

DAWSON CREEK (26)
FAIRVIEW (27)
McLENNAN (25)
GRANDE PRAIRIE (24)
BOYLE (23)
BARRHEAD (22)
ST. PAUL
ST. ALBERT (21)
EDMONTON
STONY PLAIN (20)
VEGREVILLE (18)
VERMILION (19)
CAMROSE (17)
WETASKIWIN
WAINWRIGHT
HARDISTY (15)
PONOKA
PROVOST (16)
LACOMBE
ALIX (14)
STETTLER
RED DEER (13)
DRUMHELLER (10)
BASSANO (11)
OYEN (12)
CROSSFIELD (9)
CALGARY
BLAIRMORE (6)
BUFFALO (8)
HIGH RIVER (5)
BROOKS (7)
REDCLIFF (3)
MEDICINE HAT
CLARESHOLM (4)
BOW ISLAND (2)
TABER
FORT MACLEOD
COALDALE
LETHBRIDGE (1)
MYRNAM
RAYMOND
CARDSTON

MAP A-3


Meadow Lake
Big River
Leoville
Ranger
Ormeaux
Debden
Paddockwood
Nipawin
Carrot River
Arborfield
Tisdale
Melfort
Kerrobert
Kindersley
Rosetown
Biggar
Unity
Wilkie
Macklin
Lloydminster
Marshall
Maidstone
Turtleford
Edam
Glenbush
Shellbrook
PRINCE ALBERT
Leask
Marcelin
Blaine Lake
Hague
Rosthern
Duck Lake
Carpenter
Watson
Wadena
Melfort
Tisdale
Nipawin
Hudson Bay
Porcupine Plain
Veregin
Canora
Yorkton
Melville
Esterhazy
Kamsack
Preeceville
Sturgis
Kelvington
Wynyard
Leroy
Watrous
Imperial
Lanigan
Colonsay
Foam Lake
Elfros
Wadena
Kelliher
Wishart
Bankend
West Bend
Insinger
Theodore
Springside
Ebenezer
Hamton
Gerlitz
Burgis
Denwell
Amsterdam
Tiny
Togo
Runnymede
Invermay
Hendon
Hazel Dell
Kelvington
Nut Mountain
Rose Valley
Foam Lake
Fishing Lake
Daroic
Laycell
Tilston
Sturgis
Kelvington
Usherville
Endeavour
Hinchliffe
Ladylake
Kelvington
Wadena
Kelliher
Jasmin
Ituna
Hubbard
Goodeve
Fenwood
Bemersyde
Corning
Headsworth
Creelman
Fillmore
Tyvan
Osage
Worcester
Talmage
Broadview
Grenfell
Wolseley
Oakshela
Percival
Wapella
Moosomin
Fleming
Kennedy
Langbank
Vandura
Kelso
Doonside
Walpole
Fairlight
Maryfield
Ryerson
Antler
Arcola
Manor
Reevers
Frys
Carlyle
Forget
Kisbey
Freemont
Stoughton
Heward
Griffin
Caston
Frouds
Brough
Weyburn
Garwood
Hume
Halbrite
Midale
Bryant
Blewett
Cromer
Lampman
Browning
Wilmar
Alida
Fertile
Storthoaks
Nottingham
Macsen
Stelman
Alameda
Kingsford
Hirsch
Bienfait
Estevan
Roche Percee
North Portal
Ekwan
Carnduff
Gainsborough
Outram
Torquay
Bromhead
Dungree
Ratcliffe
Beaubier
Blooming
Glasnevin
Minton
Hitchcock
Tribune
Maxim
Neptune
Celgate
Goodwater
Clearfield
Grassdale
Union Jack
Ralph
Trossachs
Abbott
Radville
Ceylon
Hardy
Ritchie
Bengough
Rantolt
Viceroy
Horizon
Glasnevin
Amulet
Pangman
Khedive
Astord
Moreland
Eggeworth
Bures
Dahinda
Whitestone
Kayville
Ormiston
Crane Valley
Cardross
Dummer
Parry
Truax
Milestone
Avonlea
Spring Valley
Ardell
Mitchellton
Expanse
Bayard
Dunkirk
Crestwynd
Hearne
Tiney
Baildon
Archive
Pinto
Rouleau
Estlin
Lajord
Sedley
Francis
Lemberg
Pense
Balgonie
Belle Plaine
Grand Coulee
Richardson
Davin
Kronau
Vibank
Odessa
Kendal
Candiac
Glenadair
Keeler
Craven
Lumsden
Edgeley
Avonhurst
Edenwold
Franklake
Zehner
McLean
Qu'Appelle
Lipton
Gibbs
Earl Grey
Cupar
Kedleston
Chamberlain
Findlater
Bethune
Disley
Aylesbury
Craik
Holdfast
Bulyea
Strasbourg
Penzance
Liberty
Duval
Cymric
Gerowan
Hatfield
Simpson
Amazon
Venn
Renown
Xena
Plessey
Drake
Oatlee
Kandahar
Elfros
Leslie
Foam Lake
Shaho
Edmore

Meadow Lake
Big River
St Walburg
Turtleford
Lloydminster
Medstead
Shellbrook
PRINCE ALBERT
Nipawin
Carrot River
Arborfield
Melfort
Tisdale
Hudson Bay
NORTH BATTLEFORD
Battleford
Duck Lake
Rosthern
Waldheim
Denholm
Wakaw
Cudworth
Poysers
Unity
Wilkie
Macklin
Aberdeen
Bruno
Warman
Humboldt
Watson
Kelvington
Sutherland
SASKATOON
Borden
Kerrobert
Delisle
Wadena
Preeceville
Lanigan
Wynyard
Watrous
Buchanan
Canora
Foam Lake
Kamsack
Nokomis
Kindersley
Rosetown
Alsask
Outlook
Davidson
YORKTON
Eston
Craik
Strasbourg
Saltcoats
Sanctuary
Leader
Prelate
Beechy
Melville
Lemberg
Esterhazy
Indian Head
REGINA
MOOSE JAW
Herbert
Grenfell
Broadview
Whitewood
SWIFT CURRENT
Moosomin
Gull Lake
Maple Creek
Mossbank
Gravelbourg
Ponteix
Lafleche
Shaunavon
Assiniboia
WEYBURN
Carlyle
Arcola
Eastend
Radville
Estevan
Bienfait
Carnduff

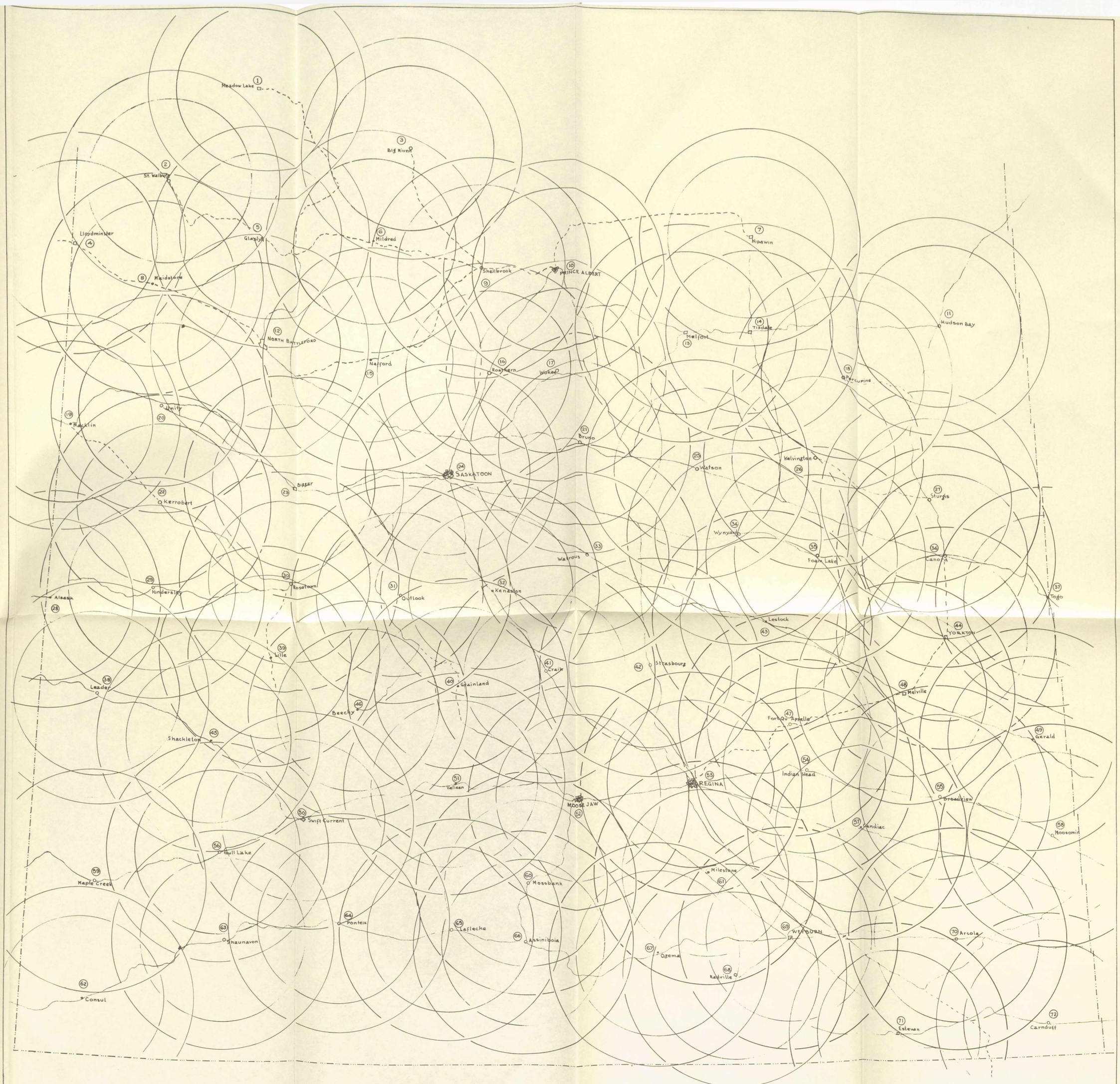
REFERENCE
Major Railroads
Essential Railroads

SASKATCHEWAN

SCALE: 12 miles to 1 inch or 1:760320
Miles 10 5 0 10 20 30 40 Miles

ENGINEERS CONSTRUCTORS
BARNETT-McQUEEN COMPANY LIMITED
FORT WILLIAM ONTARIO

MAP: S-2



REFERENCE

Major Railroads
Essential Railroads
40 mi. Radius
30 mi. Radius

SASKATCHEWAN

SCALE: 12 miles to 1 inch; or 1:760,320

Miles 10 5 0 10 20 30 40 Miles

ENGINEERS CONSTRUCTORS — BMQ — BARNETT McQUEEN COMPANY LIMITED — FORT WILLIAM ONTARIO

MAP: S-3

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-67

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 32

FRIDAY, FEBRUARY 10, 1967

Afternoon and Evening Meetings

(WINNIPEG)

Respecting

The Annual and Supplementary Reports of the CANADIAN WHEAT BOARD for the Crop Years 1962-63, 1963-64, 1964-65

WITNESSES:

From the Manitoba Department of Agriculture: The Honourable Harry J. Enns, Minister; Mr. W. E. Jarvis, Deputy Minister; Mr. G. A. Kristjanson, Assistant Director, Economics and Publications. *From the United Grain Growers Limited:* Mr. R. C. Brown, Vice-President. *From the North-West Line Elevators Association:* Mr. A. S. Leach, Chairman of Executive Committee; Mr. George H. Sellers. *From the Liberal Party of Manitoba:* Mr. Gildas L. Molgat, Party Leader. *From the Board of Grain Commissioners:* Mr. F. Hamilton, Chief Commissioner; Mr. W. J. MacLeod, Secretary; Mr. E. E. Baxter, Chief Statistician.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

25806—1

STANDING COMMITTEE

ON

AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

Chairman: Mr. Eugene Whelan

Vice-Chairman: Mr. Herman Laverdière

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beer,
Mr. Berger,
Mr. Cadieu, (*Meadow Lake*),
Mr. Choquette,
Mr. Clermont,
Mr. Comtois,
Mr. Côté (*Nicolet-Yamaska*),
Mr. Crossman,
Mr. Danforth,
Mr. Faulkner,
Mr. Forbes,
Mr. Gauthier,
Mr. Gendron,
Mr. Godin,
Mr. Grills,
Mr. Gundlock,
Mr. Honey,
Mr. Hopkins,
Mr. Horner (*Acadia*),
Mr. Johnston,
Mr. Jorgenson,
Mr. Lefebvre,
Mr. Madill,
Mr. McKinley,
Mr. Moore (*Westaskiwin*),
Mr. Muir (*Lisgar*),
Mr. Neveu,
Mr. Noble,
Mr. Nowlan,
Mr. Olson,
Mr. Peters,
Mr. Pugh,
Mr. Rapp,
Mr. Ricard,
Mr. Roxburgh,
Mr. Schreyer,
Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Yanakis—45.

(Quorum 15)

Michael B. Kirby,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, February 10, 1967.
(43)

The Standing Committee on Agriculture, Forestry and Rural Development reconvened at 2.35 o'clock p.m. this day in the Provencher Room of the Fort Garry Hotel, in the City of Winnipeg, in the Province of Manitoba.

Members present: Messrs. Berger, Cadieu (*Meadow Lake*), Clermont, Comtois, Coté (*Nicolet-Yamaska*), Crossman, Danforth, Forbes, Gauthier, Gendron, Godin, Grills, Gundlock, Hopkins, Horner (*Acadia*), Johnston, Jorgenson, Laverdière, Lefebvre, Madill, McKinley, Moore (*Wetaskiwin*), Muir (*Lisgar*), Neveu, Noble, Nowlan, Olson, Peters, Rapp, Ricard, Schreyer, Stafford, Stefanson, Tucker, Watson (*Assiniboia*), Whelan (36).

Also present: Mr. S. J. Enns, M.P.

In attendance: From the Manitoba Department of Agriculture; The Hon. Harry J. Enns, Minister of Agriculture; Mr. W. E. Jarvis, Deputy Minister; Mr. G. A. Kristjanson, Assistant Director, Economics and Publications Branch.

From United Grain Growers Ltd.; Mr. R. G. Brown, Vice-President.

From the North-West Line Elevators Association; Mr. A. S. Leach, Chairman of Executive Committee; Mr. George H. Sellers, Mr. J. D. MacDonald, Mr. R. P. Purvis.

The Chairman made a short statement during which he pointed out committees are portions of the House of Commons and that all the rules and procedures followed in the House apply at this meeting.

The Committee resumed consideration of the Annual and Supplementary Reports of the Canadian Wheat Board for the Crop Years 1962-63, 1963-64, 1964-65.

The Chairman introduced the Hon. Harry J. Enns and asked him to introduce the officials with him. The Minister did so and made a statement to the Committee. At the conclusion of his statement, members of the Committee proceeded to question him.

On completion of the questioning of the Hon. Mr. Enns, the Chairman and members of the Committee thanked him for his submission and attendance. The Minister thanked the Committee and retired.

The Chairman inquired of the Committee if it wished to recall the officials of the Canadian Wheat Board in Winnipeg.

After discussion it was

Resolved,—That, if necessary, the Canadian Wheat Board be recalled in Ottawa only.

25806—1½

The Committee took a five minute recess. The Chairman then called Mr. Brown of the United Grain Growers Ltd; he read his submission and was questioned.

When the Committee had finished questioning Mr. Brown, he was thanked by the Chairman for his attendance and excused.

The Chairman then called Mr. Leach and the officials from the North-West Line Elevators Association.

Mr. Leach introduced his colleagues and commented on his brief.

Later, on finishing his commentary, Mr. Leach was thanked and after discussion it was

Agreed,—That questioning of the North-West Line Elevators Association witnesses be put off until 8.00 o'clock p.m. this day.

On motion of Mr. Olson, seconded by Mr. Clermont, it was

Agreed,—That the submission of the North-West Line Elevators Association be printed as an appendix to the Minutes of Proceedings and Evidence (*See Appendix I*).

The Chairman adjourned the Committee until 8.00 o'clock p.m. later this day.

EVENING SESSION

(44)

The Standing Committee on Agriculture, Forestry and Rural Development reconvened at 8.15 o'clock p.m.

Members present: Messrs. Berger, Cadieu (*Meadow Lake*), Clermont, Coté (*Nicolet-Yamaska*), Crossman, Danforth, Forbes, Gauthier, Gendron, Godin, Grills, Gundlock, Hopkins, Horner (*Acadia*), Johnston, Jorgenson, Laverdière, Lefebvre, Madill, McKinley, Moore (*Wetaskiwin*), Muir (*Lisgar*), Neveu, Noble, Nowlan, Olson, Peters, Rapp, Ricard, Schreyer, Stafford, Stefanson, Tucker, Watson (*Assiniboia*), Whelan (35).

In attendance: From the North-West Line Elevators Association; The same as at the afternoon meeting.

From the Liberal Party of Manitoba; Mr. Gildas L. Molgat, M. L. A. Ste. Rose, Leader of the Opposition; Mr. Ron Clement, M. L. A.; Mr. Ralph Rasmussin.

From the Board of Grain Commissioners; Messrs. F. Hamilton, Chief Commissioner; W. J. MacLeod, Secretary; V. Martens, Assistant Secretary; E. E. Baxter, Chief Statistician; C. L. Shuttleworth, Commissioner; A. H. Wilson, General Manager, Canadian Government Elevator; M. J. Conacher, Special Advisor, Grading; A. V. Svoboda, Commissioner; C. Hammond, Assistant Chief Inspector; Drs. W. Meridith and I. Hlynka, of the Research Branch.

The Chairman recalled Mr. Leach and his colleagues and the Committee proceeded to question them. On completion of the questioning, the witnesses were excused.

The Chairman then called and introduced Mr. Molgat from the Liberal Party of Manitoba.

Mr. Molgat introduced his colleagues and after making a short statement, was questioned by the Committee.

Agreed,—That the Submission of the Liberal Party of Manitoba be printed as an appendix to the Minutes of Proceedings and Evidence (*See Appendix II*).

When questioning was completed, Mr. Molgat was thanked for his presentation, and he then left.

The Chairman recalled the officials of Board of Grain Commissioners and thanked them for making themselves so available to the Committee. The Committee further questioned Mr. Hamilton and his colleagues.

Later, at the suggestion of Mr. Danforth, it was

Agreed,—That the paper prepared by Dr. G. N. Irvine "Canadian Outlook 1967" and read at the Crop Quality Conference, Minneapolis, Minnesota, February 8, 1967 be printed as an appendix to the Minutes of Proceedings and Evidence (*See Appendix III*).

Questioning of the Board of Grain Commissioners continued.

At the suggestion of Mr. Petess, it was

Agreed,—That the Summary Report "Mission to Australia, 1965" of M. J. Conacher, made in January, 1966, be printed as an appendix to the Minutes of Proceedings and Evidence (*See Appendix IV*).

At 11.00 o'clock p.m., there being no further questions, the Chairman adjourned the Committee to the call of the Chair.

Michael B. Kirby,
Clerk of the Committee.

EVIDENCE

AFTERNOON SITTING

(Recorded by Electronic Apparatus)

FRIDAY, February 10, 1967.

The CHAIRMAN: I would remind those present that this is a regular meeting of the House of Commons Standing Committee on Agriculture, Forestry and Rural Development. The ordinary rules of procedure followed at committee meetings in Ottawa will be followed here.

Your committee is holding hearings in Winnipeg by order of the House of Commons made on June 2, 1966, to study the annual and supplementary reports of the Canadian Wheat Board for the crop years 1962-63, 1963-64 and 1964-65 which were referred to this committee for consideration.

I would like to say at this time, and I am sure I speak for all committee members present, that we are happy to be in Manitoba. We are also happy to have as our witness this afternoon, the honourable Mr. Harry Enns, the Minister of Agriculture for the province of Manitoba. I would ask the hon. Mr. Enns to introduce his officials and then present his brief.

Hon. Harry J. ENNS (*Minister of Agriculture and Conservation, Province of Manitoba*): Thank you, Mr. Chairman. I have with me my deputy minister, Mr. Edmond Jarvis, and Mr. Al Kristjanson, an economist in our department.

My brief is relatively short, gentlemen, so I think perhaps we can just read through it.

Certainly, it is a pleasure for me, on behalf of the Government of Manitoba, to welcome this important committee of the House of Commons to Manitoba. We are pleased that you are taking the time to travel across Western Canada to examine our grain marketing system and facilities. While we are aware that your committee does include able representation from this province and other western provinces, unquestionably, this first-hand examination of this extremely important business of grain marketing and handling will undoubtedly be helpful to all members of the committee.

It is my understanding that the prime subject at hand is that of grain marketing, particularly, as it relates to the Canadian Wheat Board and the Board of Grain Commissioners which are federal institutions and, also, other aspects of the grain marketing business in Western Canada. Our remarks will be primarily confined to this area.

However, before getting into the subject of marketing I would emphasize our concern for improving the income position of farmers throughout Canada. It is true that our farmers feel that they are not being rewarded adequately for their efforts and their investments as food producers for the nation.

I know that, this is getting to be an old story, but I would also like to take this opportunity to reiterate our call here in Manitoba for a National Agricultural Conference to take some of these matters into consideration. We have a host of policies a piece here and a piece there, but we have never really come to grips with the income problem in a total way.

It is for this reason that our premier has asked the Prime Minister of Canada to call a national agricultural conference. The provinces cannot solve this problem on their own. But I want to make it clear that if and when such a conference is convened the agenda must be directed primarily to the income question. And this should be in the most specific terms possible. We are not interested in a conference which simply reviews the shortcomings of past policies. adequate income to the farmers of this country in the years ahead. The past is behind us. We need a bold blueprint for the future on the income question without further delay.

This is not to belittle the good that has been done on many fronts in the past. Rather, it is to emphasize the need to face up to the income question in clear terms. Bits and pieces of agricultural policy are not good enough. We need a total approach to create an adquate income to our farmers.

Returning now to the marketing area, certainly we would wish to go on record at the outset in complimenting the Canadian Wheat Board and the board of Grain Commissioners on the job which they are doing. If we might single out the Canadian Wheat Board, as this is a group with which we, as Farmers and as a provincial government, are most closely associated, I would like to support the principle of this marketing system. The board has done a very creditable job of selling wheat and coarse grains within Canada and abroad. While the board operates within very strict terms of reference and while it controls marketing by producers through quotas and other means, it has been most responsive to the concerns of groups of farmers and areas. I refer particularly to a situation in which we have found ourselves on one or two occasions and, particularly, this last spring in which due to a flood in the Red River Valley a considerable amount of grain had to be moved in a very short period of time. This required the full cooperation of the board, as well as the grain Companies and Railways and, indeed, of the board of Grain Commissioners—and the necessary excellent cooperation was there when we needed it.

The Canadian Wheat Board is, of course, responsible for the marketing of wheat, as well as the marketing of course or feed grains. The board has been very successful in capitalizing on a strong world market and in assuring us of a relatively certain market for our wheat at least for the next two or three years. Increased demand in association with a buoyant market for wheat will, undoubtedly, lead our farmers to increased wheat production. It is our objective that most of the increased production of wheat will come through increased fertilization and other management practices directed to the acres now devoted to wheat and, also, through the reduction of the summerfallow acreage in this province. As a matter of interest, 3.5 million acres last year were devoted to wheat production in this province; 830,000 acres were devoted to barley; 1.5 million acres, to oats; and approximately 2.6 million acres to summerfallow. It is obvious

we could have a marked increase our total grain output by reducing that summerfallow acreage.

We would want to point out to you that we are concerned about the supplies of feed grains in this province as it relates to our expanding livestock and poultry industry. There has been some misunderstanding, I believe, across Canada, particularly, perhaps in eastern Canada, of our situation respecting feed grain supplies, with many people being of the opinion that we had much more grain than we know how to use in this province. In actual fact, we do not have a surplus of feed grain and our livestock feeders here are very much in competition with those elsewhere who would like to use these feed grains.

I would like to reiterate the position taken by the province of Manitoba on earlier occasions with respect to the federal government feed grain policy. Let us deal with your government's subsidy on the transportation of feed grains to central and eastern Canada and to British Columbia.

This province has traditionally, and still has, the ability to produce considerably more agricultural products than our people here can consume. For this reason, the price which we receive for our agricultural products is largely a Toronto price less the cost of freight. I refer, particularly to livestock products, our finished steers, our pork, and our poultry products. With this being the case, that of our farmers' finished livestock receiving the Toronto price less the cost of freight, it is rather evident that we are weakening the competitive position of Manitoba farmers when we subsidize the cost of feed grain being moved to eastern Canada to be used in finishing livestock and poultry but do not subsidize in turn the cost of the finished product being moved from Manitoba to the same markets.

The University of Manitoba conducted a study of this problem and the following table graphically illustrates it. I leave that table with you, gentlemen. I think it is self-explanatory.

It can be seen from this table that if feed grain is shipped east with federal assistance to finish a steer, it cost the Canadian taxpayer $1.79 per cwt of live steer equivalent and it cost the shipper 20 cents. However, if the steer is finished in this area it would cost the shipper $1.44 per cwt of live steer equivalent to ship the carcass and by-products and the taxpayer would make no contribution.

Again, if it is reasonable to subsidize feed grain shipments eastward, then there is equal argument for assistance of transportation for western finished livestock and poultry. It is for this reason that this province has opposed and continues to oppose the freight subsidy on feed grain to Eastern Canada and to British Columbia.

Let us hasten to add that we have full sympathy with the small farmer in eastern Canada and his particular problems. We suggest however that a subsidy on feed grain does little to alleviate this problem. Other kinds of policy are undoubtedly required for him.

This province, also, indicated its opposition to establishment of the Canadian livestock feed board. We are particularly opposed to the powers which have been granted to the agency, apparently for use as it sees fit—to purchase, store and distribute feed grain in the interests of Eastern and British Columbia feeders. Since most of the oats and barley in this country are used within

Canada and since this agency could basically have a monopoly on the purchase of feed grains for use in Eastern Canada it could greatly reduce the competition for Western feed grains. This could readily result in a strong downward pressure on feed grain prices in this country to the detriment of feed grain producers.

Manitoba producers and the provincial economy stand to lose in two respects. Firstly, we will not see the expansion of the livestock industry that we would otherwise enjoy due to this rather artificial incentive for expansion in other areas of the country and, secondly, our producers would receive less for their grain. We urge your committee to maintain under continuing review the function and operations of the Canadian livestock feed board, having these important points in mind.

We are aware that your committee has in its travels been reviewing the transportation and handling facilities which play such a key role in grain marketing in Western Canada. We are sorry that your schedule did not permit you to accept our invitation to visit Churchill. However that is very understandable at this time of the year. We would only like to repeat the invitation. Perhaps a subcommittee might come to see our port at Churchill in the summertime, when it is actually in operation. We urge you to keep this important port in mind and to arrange to visit the port at the first opportunity.

We are concerned that adequate attention be directed to updating and expanding our transportation facilities, both rolling stock and port, and other handling facilities. This will be essential if our transportation facilities are to adequately handle the increasing movement of grain as well as other products in this expanding western economy. With respect to agriculture, it is important that the system is able to handle not only wheat which is our key export but also our oil seeds and other secondary crops which are becoming an important export item. Effective and timely transportation is essential to development and growth of overseas' markets.

We would like to draw your attention to the rapidly developing rapeseed industry of western Canada. Indications are that it has a potential for greatly expanded overseas markets for this crop. Because of competition for rolling stock and priorities of the railways we have received, provincially, some complaints about not getting sufficient rapeseed into port facilities. The specific complaint came from our good Japanese customers on this particular point. These expanded markets will only develop if the potential users are fully aware of the facts about the oil seed crop and can be assured of a continuing supply of quality rapeseed. The promotion of this crop in overseas countries does not receive the same attention from the Federal government as do the other crops under the jurisdiction of the Canadian Wheat Board. We are particularly interested in the idea of establishing a Canadian rapeseed institute or council which would bring about a concerted and concentrated effort in developing rapeseed markets, research in rapeseed production, marketing and processing, and farmer information programs.

The institute should provide for a team effort involving the producer, private trade and both Provincial and Federal governments. The soybean council of America, Inc. has been highly successful in this regard and we are sure that the establishment of a Canadian rapeseed institute would assist greatly in

establishing rapeseed as a very important crop of commerce to the economic benefit of both the private and public sectors of the economy. We are aware that the federal government has taken an interest in the development of overseas markets for rapeseed and in the establishment of such an institute. We commend this idea for your support.

I began at the outset by emphasizing our concern about the farm income question. I wish now to say a word about the importance of the work that is being done in the special rural development area located in the interlake region in Manitoba.

This is an area of great potential for development but it is also an area which has been undergoing quite substantial adjustments of many types in the many uses of its resources. As a consequence, we felt—and the federal government agreed with us on this—that here we had an opportunity for joint Federal-Provincial Action in assisting the adjustment process as it affects both land and people. Unfortunately, the fact that we singled out this area for particular attention has caused its position to become somewhat misunderstood. This is not a poverty area. Its claim to attention simply lays in the fact that the opportunities for assisting the adjustment process were very great. We felt that if we could succeed in facilitating normal adjustment in this area we would have something to offer in terms of guidelines to other parts of Canada which would reduce the likelihood of low incomes to farmers and other users of natural resources. Here again, the co-operation of the federal government has been vital. I mention this to indicate our keen interest in the act establishing the fund for rural economic development—We call it the FRED fund—and the amendments which are currently being considered which will provide the additional federal funds required.

The people in the interlake area, in association with our government, have developed a plan of action as required under Federal-Provincial ARDA agreement. It is of the utmost importance that our governments achieve agreement on this program at a very early date. We are currently negotiating with the department of forestry and rural development on this matter.

Improvement in the fishing industry in this province is closely related to the development program in the interlake region. Our government has indicated that it is generally in agreement with the proposals outlined by the royal commission on the marketing of fresh water fish. We are prepared to cooperate with the federal government in getting on with this important task and we commend it to you for your early attention.

We do sincerely appreciate the opportunity of appearing before your committee and expressing our views on these important matters. We would again express our pleasure at your visiting and holding these meetings in this part of the country. That, gentlemen, in an abbreviated form, is some of the concern of agriculture here in Manitoba.

The CHAIRMAN: Thank you, Mr. Enns. I have Mr. Clermont, Mr. Jorgenson, Mr. McKinley and Mr. Muir so far.

Mr. CLERMONT: Mr. Chairman, I will yield to the hon. member from Manitoba.

Mr. JORGENSON: The minister, in dealing with the feed grain policy, indicated that, in so far as Manitoba is concerned, the effects of the feed grain bill might be somewhat adverse to this province. I think perhaps the minister is under a misapprehension in assuming that the bill will give powers to the feed grain agency to buy grain. I wonder if he would care to clarify just what he means by that. My understanding of the legislation is that in its initial operation the feed grain board is not going to have the power to buy grain from the Canadian Wheat Board as a purchasing agency. Essentially, the powers of the board, as I understand them, are to police the trade in eastern Canada. Our investigations, during the course of the committee hearings on this subject revealed that the difficulty arose from the time that the grain arrived in eastern terminal elevators. We could find in our investigations no difficulty with the movement of grain or the pricing of grain from the time it left the farmers' hands until the time it reached the in-store position in eastern terminal elevators. I wonder just where his apprehension arises as a result of passage of this legislation?

Mr. ENNS: Mr. Chairman, our concern arises out of Bill No. C-218 where, on page 5, if any members have the bill in front of them, additional powers are given under Clause 8, which reads:

> (1) The Board may, in furtherance of its objects, at any time when it is so authorized by regulation
>
> (a) buy or enter into contracts or agreements for the purchase of feed grain in Eastern Canada and British Columbia and in the designated area, but where any purchase is made by the Board within the designated area of grain then being purchased in that area by the Canadian Wheat Board, such purchase by the Board shall be made from the Canadian Wheat Board or an agent thereof;

It has further aspects, but it is these additional powers that give us concern. We see the possibility of, perhaps, the price of grain, indeed if you want to take it to an extreme, being settled on the floor of the House of Commons, if it became a political issue.

Mr. JORGENSON: I see the difficulty and I understand the minister's position. I am convinced, however, that these additional powers will not have to be used because I am just as convinced that as soon as the purchasing of the grain from the terminals eastward is brought under some supervision, that any of the difficulties that the eastern farmers have experienced will be removed. The practice of charging rail rates from the lakehead to the eastern terminals, when in fact the grain has been moving down there by boat, will discontinue. In fact, a lot of that has disappeared already as a result of the government paying storage in the eastern terminal elevators. I am convinced that the supervisory function of the board will eliminate a good many of the problems that currently exist in the eastern feed markets.

Mr. ENNS: I accept my colleague's advice in this instance. Perhaps we are over-emphasizing it or playing on words here. But we do point out that these powers are given to this agency by regulation, so that indeed it could be passed in order in council. It is not a matter that could ever come before the House of Commons as such. We did express concern in this area.

Mr. JORGENSON: Like the Canadian Wheat Board, we are hopeful. With that I pass, Mr. Chairman.

(*Translation*)

The CHAIRMAN: Mr. Clermont.

Mr. CLERMONT: Further to the same topic, Mr. Chairman, namely the Eastern Feed grain Agency, if this agency is established—when it is established—it will then become the agent purchasing feed grains and will have to pay the prices which the Canadian Wheat Board quote. Last night, in reply to a question put to him, Mr. McNamara, the Canadian Wheat Board Commissioner, said that he was ready to cooperate one hundred per cent with this new agency, but that the Canadian Wheat Board will not cut their prices, simply because the Board are dealing with the Eastern Feed grain Agency.

(*English*)

Mr. ENNS: Yes, I realize that we are, perhaps, seeing troubles where none exist. We do, however, feel that we are indeed setting up two agencies. Whether or not co-operation is expressed or implied at this time, they are very much in a political arena to some extent and we feel there could be a time when pressure would be brought to bear on such agencies. Perhaps wrongly, but it is—

(*Translation*)

Mr. CLERMONT: Mr. Jorgenson has expressed a view in regard to certain problems, in certain periods of the year, January or February. There is a pretty marked fluctuation in the price of cereals; what we feel, what farmers in Eastern Canada and British-Columbia feel is that with an agency of this sort the price fluctuations will be virtually eliminated.

(*English*)

Mr. ENNS: The question of subsidy, of course, is still there. That is the real point of our brief which we feel is unjust particularly to the Manitoba producers of livestock.

(*Translation*)

Mr. CLERMONT: Mr. Minister, to come back to freight rate assistance on bringing the feed grains from the Great Lakes to Eastern Canada or British-Columbia, I think the Western provinces believe in free trade and competition, do they not?

(*English*)

Mr. ENNS: Certainly we believe in free trade and competition. We are prepared to free trade and compete, but we all the more see no reason for the subsidy in this instance.

(*Translation*)

Mr. CLERMONT: I think Eastern farmers might object to the freight rates which you call "Crow's Nest pass rate" on wheat exports. In the final analysis these Crow's Nest pass rates constitute a subsidy on the conveyance of Western wheat destined for export markets.

(*English*)

Mr. ENNS: I would, of course, agree with you that in the eyes of many this is, perhaps, true, with respect to your comment regarding the Crowsnest Pass. But there are also many here and perhaps a majority in the west who feel it is not by any means a subsidized rate but that the railways are indeed making their dollar on that freight rate arrangement.

(*Translation*)

Mr. CLERMONT: I do not see any objection, Sir. If the Canadian Parliament were to abolish freight rate assistance on the conveyance of feed grains to Eastern Canada and British-Columbia, would you object to Eastern farmers having free access to the Western grains markets on the same basis as the Western producers, the livestock producers, or the poultry producers? Do you not think these farmers should have free access to the Western grains market as the Western producers or the livestock producers of the West or the poultry producers do?

(*English*)

Mr. ENNS: I like the member's suggestion. We have from time to time thought about terms of freer movement of feed grains within the provinces, particularly here in the west. Certainly from the point of view of the livestock producers, resolutions of this nature are coming forward from our cattle people in Alberta, Saskatchewan and Manitoba. I understand the Alberta Stock Growers' Association recently passed a resolution to this effect. The question is a matter of wheat board concern. They, of course, have jurisdiction in this matter.

(*Translation*)

Mr. CLERMONT: In your comments, in your brief, you state that the freight rate assistance to the East prevents the fattening up of Western livestock herds but you are aware that the Eastern breeders and farmers are not only concerned with livestock feeding. It is not just for that reason that we want freight rate assistance. We have various producers who are anxious to get these feed grains and to benefit from the freight rate assistance.

(*English*)

Mr. ENNS: We base a good part of our argument on the report that was recently concluded by the Agriculture Economics Research Council of Canada and, in particular, I think the key sentence in this report is on page 127 where it says that the impact of the policy would be to shift the location of cattle production only to a minor degree, thereby subsidizing individuals in inefficient locations. It would only shift the areas of production and we question that principle.

(*Translation*)

Mr. CLERMONT: But it is not just the livestock breeders who benefit from transport assistance in Eastern Canada and British Columbia. The dairy farms also benefit from that freight rate assistance. The dairy farms producing butter and cheese equally benefit from it. When you claim in your brief that this freight rate assistance brings very minimal help to our farmers. I do not think that is

what the Association of the Quebec Farmer feels. The Catholic Union of Farmers are very insistent about wanting this freight rate assistance and they would see no objection to that assistance disappearing if they had free access to the markets for feed grains in Western Canada without having to go through the Canadian Grains Commission. And another question, what competition is there in the West? You say in a paragraph that there is tremendous competition in the purchase of your feed grains in Manitoba. Where does the competition come from, where is the competition? If the East cannot buy directly on the Western market without going through the Canadian Grains Board?

(*English*)

Mr. ENNS: On your earlier comments, sir, I would just say that we also have dairy farmers here and the same argument applies. I will call on my experts to help me out in a minute because I am not all that well versed in this. We do look upon it, generally, though that this, if I am right, was brought in as a wartime measure. If I am correct, the subsidy was originated at that time to help in the production of livestock, poultry and foodstuffs. In the east, you had a heavier population and more manpower to handle it, but we had a tremendous shortage of manpower during those war years here in the west. This was a legitimate and worthwhile effort at that time, but we cannot agree with its continuance. With respect to your comments about where we find our own competition, the competition I referred to is internally. We have a growing livestock industry. We are beginning to fatten a more goodly number of our own cattle, which we should be doing, and the competition is keen within the province. I would like to dispel the idea we are sitting on huge surpluses of feed grains. We have not got them. This is a bit of a fallacy in this connection that still prevails generally in some parts of the country.

(*Translation*)

Mr. CLERMONT: Mr. Chairman, my last question relates to the fact the Minister mentioned in his brief that he is speaking on behalf of the Government of Manitoba, that the revenues of the farmers must increase. I think everyone agrees farmer incomes must increase. Would the Minister object to expressing his views with regard to the price at which wheat should be sold on the international market or domestic markets to meet this increase in production costs.

(*English*)

Mr. ENNS: We have before our own legislature right now a resolution calling for, first of all, an increase in the initial price paid to the producers of wheat, and we hope that this will encourage Mr. Sharp, at the forthcoming international wheat agreement discussions, to go all out for a $2.50 price on wheat.

Mr. OLSON: Does the government support this motion?

Mr. ENNS: Yes.

(*Translation*)

Mr. CLERMONT: This price of $2.50—is this based on production costs? Or on the purchasing power of importing countries? What is the determining factor?

Last night, Mr. McNamara, who is the Chairman of the Wheat Board, said that his agency finds a great deal of sales resistance in getting even the maximum price under the I.W.A.

(*English*)

Mr. ENNS: Obviously the price is established simply by what you can get on the world market. Certainly the United States, the Argentine, Australia and others have a great deal to say about this matter. We simply feel that we should not desist from any efforts to improve that price, naturally. With regard to the question of farm income and its relation to the price of wheat, it is the only immediate area that we can see relief coming from, through higher initial payments and a better overall price for wheat. The question I think which is in the back of your mind, sir, is with regard to discussions, perhaps, of a two-price wheat policy. It is an area that involves some form of subsidy, whether or not you want to call it that, and it means that when we get into subsidies it does not solve the problems either. Somebody, the Canadian consumer in this instance, has to pay an additional amount. We would hope at this stage to push for a better price of wheat generally.

(*Translation*)

Mr. CLERMONT: Thank you, Sir.

(*English*)

The CHAIRMAN: I would like to remind the minister that I knew a group who said it should be $2 at one time. I will not say what group that was but they were awful sorry for a long time after.

Mr. MCKINLEY: Mr. Chairman, most of my questions have been asked by Mr. Clermont. I could, perhaps, carry it a little further. I was interested in the fact our witness did not like the idea of the feed subsidies but I had not realized he feels all the people of Canada are paying freight rate subsidies and it should be both ways. I was going to go a little further than this and say what I would like to have said to Mr. McNamara last night. It was his view that we have almost reached the limit of our production, as far as wheat is concerned. It may well be as far as wheat is concerned but I, myself, do not believe it. Speaking as a farmer from Ontario, I am convinced that we have only tapped our production down there. The whole thing is a matter of economics. If the dollars can be put into the farmers' pockets so they can afford to buy fertilizer and put the necessary tile in, and it is possible to do that, then they can grow at least one-third more per acre than they are growing right now. I cannot see the limits as to what can be grown, if the dollars are there to invest in the things that are needed to do it. I would like to have the minister of agriculture from Manitoba express his views on this situation. I know what the Ontario minister's views are.

Mr. ENNS: Well, Mr. McKinley, on your first question with respect to subsidies, we would agree with you if we get the subsidies both ways. If you give us a subsidy on our poultry and beef going to Toronto or other markets, that would level it off. But in that instance, of course, our beef would be competing much more vigorously with your beef on the Toronto market.

Mr. McKINLEY: If I could interject for a moment, I would say the only reason we are very happy to pay the subsidy on the wheat that is going to export sales is to keep the production of beef, poultry and hogs less interesting to the western producer. That gives us more of a chance in Ontario, Quebec and the Atlantic provinces.

Mr. ENNS: Again, we do not necessarily share the view that there is a subsidy on our export sales of wheat. On just a follow-up of your last remark I want to say I share your optimism that we have not reached our peak in agricultural production. I agree with you that certainly over the next few years we are going to see all kinds of production.

Mr. McKINLEY: You do not agree with Mr. McNamara then?

Mr. ENNS: I will put it this way. I had a member in the legislature question me during my estimates just recently. His feeling was that farmers had reached their peak, that they are producing at their most efficient level now and governements and everybody else would have to come to their aid because they cannot do any more on their own. I do not think farmers, by and large, buy that. We have just produced an 800 million bushel crop of wheat here in the west which was quite inconceivable not so many years ago. I read in the *Globe and Mail* just the other day that they are talking about a billion bushel crop some time in the future. We will probably have years when we are going to have setbacks but I certainly believe we will be producing billion bushel crops in this country in the not too distant future.

Mr. McKINLEY: I must say I agree. Thank you.

The CHAIRMAN: I would tell the minister that in private conversation we pointed out to one of the wheat board officials last night they are hauling wheat 800 miles by truck in the United States, from Omaha to Duluth. He replied: Yes but they do not have the Crowsnest Pass rates.

Mr. ENNS: This, Mr. Chairman, is of course a continuing argument that the western grain producer has with the railway companies. I am neither an expert on the railways or rolling stock and I cannot argue that.

Mr. MUIR (*Lisgar*): Mr. Chairman, I was anticipating you would allow me to comment on the remarks made by Mr. Clermont and Mr. McKinley with regard to the Crowsnest Pass rates. So, I am going to put it in the form of a question to the minister. I am going to ask the minister—I am putting this as the western viewpoint—if he would not agree that if the Crowsnest Pass rates were actually subsidizing the western farmer, would it not seem to follow that the more grain the railways hauled the more money they would lose? They hauled the largest crop of wheat last year that they have ever hauled and they made more money than they ever made in their history, I believe.

An hon. MEMBER: Hear, hear.

Mr. MUIR (*Lisgar*): I would just like to point this out.

The CHAIRMAN: Both east and west; they hauled more both ways than they ever did before.

Mr. MUIR (*Lisgar*): They hauled a lot more for export both ways. I do not think that we can accept the premise that the farmers are being subsidized by the Crowsnest Pass rates.

Mr. ENNS: I would like to suggest that it is, perhaps, very true that the railways are not making as much money as they would like to make on these rates.

Mr. MUIR (*Lisgar*): Nor the farmers.

Mr. ENNS: And the farmers would like to make a bit more money.

Mr. MUIR (*Lisgar*): The question I would like to put to the minister is with regard to page 7, where he hopes a Canadian rapeseed institute can be set up. I am wondering why he would just pick out this one particular oil seed because we have a thriving sunflower industry in southern Manitoba, which is also a very important oil crop. With the construction or completion of the Pembina River project, there are a great number of these acres now in sunflowers which can be irrigated and we can look forward to a much expanded production of this grain. I am wondering if we would not be better to set up a Canadian oil seed institute which would not only provide the necessary information for our sales but would also help to expand our overseas markets. I know that there is a lot of work being done in this regard at the Morden Experimental Farm but I think that a national research oil council such as you mentioned would be able to do a more complete job. I am hoping, when this is brought to fruition, that other oil seed crops will be included as well.

Mr. ENNS: Certainly, Mr. Chairman, knowing how much work this commitee is going through during its hearings, we kept our brief sympathetically short. I do mention on page 6, in connection with rapeseed and secondary crops, that certainly this could be expanded to an oil seed institute or broadened out. There is a danger, of course, that when you broaden the field that you take some of the sharpness off the effort. We sort of patterned it on the suggestion from the very successful soybean institute incorporated across the line, which is doing a marvellous job for that special crop in the south. It was with that in mind that we, perhaps, centred on rapeseed. I would quite agree with you, Mr. Muir, that this could be broadened to include the other speciality crops in oil seed production.

Mr. OLSON: Mr. Enns, on pages 4, 5 and 6 you talk about the problems that may be raised because of setting up an eastern and British Columbia feed grain agency and also the subsidy being paid on the movement of feed grains to eastern Canada. I agree with many of the sentiments that you have expressed here as to the possibility of, what might be referred to as, a discriminatory end result that may come about, but I also see a contradiction in what you are advocating, and I just do not understand it. You say that you are concerned about the feed grain remaining here and it would therefore be available to the Manitoba livestock feeders. Of course, this is a question of price. On the other hand, you say that you are concerned about the price of feed grains to the producers of these feed grains. On page 4 you say it would be weakening the competitive position of Manitoba farmers when we subsidize the cost of feed grain. Then on pages 5 and 6 you express some concern about a downward

pressure on these feed grain prices and so on. If I understand you correctly, the subsidy paid on this grain is a direct benefit to holding up the market for the producers of feed grain in western Canada. On the other hand, if it was not there it would probably lower the price to the livestock producers in western Canada so you would have this expansion. It seems to me that you have to promote the position either of the grain producers or of the livestock producers because their interests are almost opposite in this respect.

Mr. ENNS: Possibly there is an area there that may appear contradictory. The feeling was expressed here that we are free traders. It is the competitive aspect of the feed grains that we would like to maintain, not necessarily pegged to a price. We do believe, with the growing livestock production we have in this part of the country, that competition for these feed grains will secure the price.

The question with respect to downward pressure again relates to the establishment of this thing. I am not fully conversant with it but it is my understanding that some of the costs of the feed grain agencies will be borne out of the consolidated revenue fund which, from my understanding, is not the same with the wheat board operation. Is the wheat board operation not financed by the western producer? Does not the western producer finance whatever money requirements are needed for the operation of the wheat board in the west? If you want to call the feed grain agency a somewhat like agency, that agency, however, is going to be financed out of the consolidated fund. We see a discrepancy there. It is in this area that we feel it comes too close to the House of Commons, my dear friend, with all due respect to members.

Mr. OLSON: If there was no feed grain subsidy now, surely in a competitive position, with corn coming in from the United States and corn produced in Ontario, then it would lower the price in the designated area, namely, the wheat board selling area, and would it not be an advantage to your livestock producers to increase or expand their production?

Mr. ENNS: I think, again, a good part of the hon. member's comments are based on our having a surplus supply of feed grain. If you take away that surplus, which we know we do not have, and we know the competition for the feed grain exists here, these other matters do not enter into it.

Mr. OLSON: You are surely not suggesting to me, Mr. Enns, that if the competition for purchasing of feed grains in this area by the eastern feeders was removed that this would not be a factor in lowering the prices available here? Would not the prices to your feed grain producers be down right away if the eastern buyers moved out?

Mr. ENNS: The price of feed, of course, is still regulated by the wheat board's operation. We would operate under their jurisdiction.

Mr. OLSON: But their regulation is only on the basis of what they can get for it. Do they not pool that?

Mr. ENNS: It is conceivable there would be a period where this might be so. We have confidence in the buoyancy of our mushrooming livestock and poultry enterprises in this part of the country that would take up the slack in an awful hurry.

Mr. RAPP: Mr. Chairman, first of all, I would like to express my thanks to the minister for giving so much attention to the growing of rapeseed. The brief presented here by the Manitoba Wheat Pool was quite the opposite. It said: Oh, rapeseed, it is not important here. However, I would like to say that my comrades here were kidding me about it. They said: Now the truth is out, you were just telling a story that was not factual.

The CHAIRMAN: Mr. Rapp, did you not mean your colleagues?

Mr. RAPP: Yes. I would like to get some more information about the Canadian rapeseed institute. Is this going to be strictly a Manitoba institution? If it is not strictly a Manitoba institution then I would like to bring to your attention that the National Research Council in Saskatoon have some scientists working on that particularly, like Dr. Burton Craig and others. If you depend on some assistance from the federal government, I do not think you will get it. Nevertheless, your intentions are very good.

The CHAIRMAN: What is the question, Mr. Rapp?

Mr. RAPP: Just a minute. Then I would like to say that this rapeseed industry has developed to such an extent that if we again should have surpluses of wheat then there would be much more rapeseed grown. Naturally our areas in the prairie provinces will be the ones to grow this crop. I hope instead of getting only 22 million bushels we will get somewhere in the neighbourhood of 100 million bushels.

The CHAIRMAN: Do you have a question?

Mr. RAPP: Yes. I asked the minister whether he is agreeing with me on my points.

Mr. ENNS: We here in Manitoba recognize the outstanding work that the people in Saskatchewan are doing with respect to this crop. I would hasten to add that while we have dealt at some length with rapeseed, wheat is our number one crop here and we do not in anyway want to take away its laurels and what it is doing for the west. We do share the concern that while we have a buoyant outlook for wheat we look for increased production. If I am concerned about the farmers' income, I do not put any division between provincial economy and the farmers' income because I do not believe the two are inconsistent. We do suggest, though, that in the good years ahead of us in wheat the secondary crops should not be relegated right out of the scene because we are just nicely under way in establishing domestic and foreign markets, and these markets will only be sustained if a reliable supply is at hand. Even at this time, when wheat is number one, we want to keep our eyes on the secondary crops.

Mr. RAPP: Would you then, Mr. Enns, get together with Mr. Parker and find out whether he really believes what he said or whether he could change his mind on that matter.

The CHAIRMAN: You are a true optimist. Are you finished your line of questioning, Mr. Rapp?

Mr. RAPP: Yes, thank you.

Mr. SCHREYER: Mr. Enns, I would like to determine the degree of opposition you have with respect to the establishment of the Canadian livestock feed board.

If the livestock feed board were put on a basis that was self-sustaining or self-financing, would your opposition be just as vigorous as it is now or would you then tend perhaps to go along with the idea and even support it? Would you support it on the basis of providing for eastern farmers the kind of marketing arrangements, in large part, which western producers have enjoyed for the past several decades.

Mr. ENNS: Perhaps we have no position on the actual establishment of such a board. I feel that it still does not in any way take away our objections to Bill No. C-218, in the sense we assume this is the agency from which they would be getting their feed.

Mr. SCHREYER: It may well be that some of the delegated powers given to the feed board may be objectionable for one reason or another, but in so far as the concept of a Canadian livestock feed board for Eastern farmers is concerned, what conceptually do you oppose in that regard?

Mr. ENNS: I would not presume to oppose what any farm group or farm organization wanted, particularly in a part of the country I am not familiar with. I come back to my opposition on the matter of the actual feed agency.

Mr. SCHREYER: Mr. Enns, with respect to our Manitoba feeders, could you say whether they are being affected by any restrictions on the interprovincial movement of feed grain. Does such restriction exist in significant measure?

Mr. ENNS: I am sorry, I did not get the latter part of your question?

Mr. SCHREYER: I was asking if, in your opinion, restriction of interprovincial movement exists in significant measure.

Mr. ENNS: Yes, we believe it does. We recognize though that this is a question for wheat board jurisdiction. There is a great deal of principle, perhaps, involved and I would not want to presume to say too much further on this. As a lay farmer and as a feeder myself, I would have to say that it does, yes.

Mr. SCHREYER: Mr. Chairman, finally I would like to put a question to Mr. Enns regarding ARDA. Since the inception of ARDA programming in our province I presume that you have kept fairly accurate and precise accounting data which would show ARDA expenditures with regard to administrative costs, research and study cost relative to actual expenditures for projects in the field—actual works. Can you give me some approximate figures which would show the ratio between expenditures for administration and so on and actual works projects connected with ARDA.

Mr. ENNS: I think the hon. member can understand that he is asking for statistical information and, off the top of my head, I could be wrong. I have tried to familiarize myself with this program as rapidly as I could. We have used up the total amounts available to us in the first initial agreement, 1962-65. In fact, we have over-expended that initial agreement by some 6 per cent. We are in a similar situation with the second agreement. I am fully satisfied that the actual money spent and the manner in which it was spent has been in accordance with the terms laid down by the initial agreement. I believe the actual amount expended on research is a little higher than 9 per cent, 9.2 per cent or something like that. Under the terms of the agreement we were obligated to spend at

least no less than 10 per cent for outright research projects. We are also limited to spending no more than 50 per cent on water control and conservation projects. Here again, it is my understanding we have somewhat overspent this by the neighbourhood of 52 or 54 per cent. I perhaps anticipate some of the members' thinking in respect of the other areas where the moneys were allocated, rural development programs, wildlife and recreational programs. Some of the spending may well be a matter of judgment or a question of priorities. However, I have no hesitation about making the statement that the ARDA funds spent in Manitoba were spent within the terms and guidelines set down by the federal agreement.

Mr. SCHREYER: Mr. Enns, I was not intending to question the judgment or discretion which is exercised by the ARDA officials and your department. I was very anxious to find out in approximate terms what the ratio was between expenditures for administration and surveying and actual works projects. Now, I do not want to be difficult about this. If you really do not have that kind of information I suppose I can get it at some subsequent time.

Mr. ENNS: Again, it is information that does not readily come to mind. I would have no objection, of course, to making this known to the member from Manitoba at any time that he would wish to call on my office or by correspondence.

Mr. SCHREYER: Mr. Chairman, I would like to hark back to the question of feed grain freight subsidy and the establishment of the Canadian livestock feed board. I want to say to Mr. Enns that as a Manitoban I can appreciate and support in large part his stated opposition in the brief to the feed grain freight subsidy. The economic analysis which underlies this opposition, in my opinion, is valid. But, I would certainly seperate this question of the feed grain freight subsidy and the one having to do with the establishment of the Canadian livestock feed board. I would like to say, Mr. Enns, that what is being done with respect to the establishment of the feed board is to give to Eastern farmers an agency which will give them countervailing power in making acquisitions or purchases of feed grain. If one regards it in the light of the Golden Rule, and I do not think that it is always naive to think in terms of the Golden Rule, I would like to know what basic fundamental ground you have for opposing the establishment of a feed board. Or, is it just the particulars of the bill that you are opposing?

Mr. ENNS: The last point raised by the hon. member is very true. We object to the buying or entering into contracts or agreements for the purchase of feed grains in eastern Canada, and where any purchase is made by the board within a designated area such purchases by the board shall be made from the Canadian Wheat Board or its agents. The further one states:

> (c) Take delivery of, ship, store, handle and, subject to subsection (2),...

We are in a wide area here. To what extent will the subsidy prevail when we have established in the bill the principle that the finances for this board are going to come out of the consolidated fund. I suppose I am stretching the point but perhaps it is a legitimate concern on our part that we could envisage in the

future some of the "delivery, ship, store and handle" would also eventually be financed by the consolidated fund while we in the west finance our own programs through the wheat board. These are particular areas of the wording of the bill that concern us.

Mr. SCHEYER: Thank you, Mr. Enns.

(*Translation*)

Mr. COMTOIS: You seem to be opposed to the Eastern feed grains agency because the Eastern feed grains agency will favour British Columbia and Eastern farmers to the detriment of Manitoba. Have I clearly understood your objection? Do I understand just that?

(*English*)

Mr. ENNS: Yes, that is basically it.

(*Translation*)

Mr. COMTOIS: Would you please tell me, Sir, if you are aware of the projections for consumption of feed grains in Eastern Canada and in British Columbia. Let us say for the next five years?

(*English*)

Mr. ENNS: I would have to ask someone better qualified to answer. Could either of you gentlemen answer this question for me?

Mr. E. JARVIS (*Deputy Minister of Agriculture, Province of Manitoba*): Perhaps I should comment that the projections that you are most concerned about are our requirements for feed grain here in our own province. I do not think we have at hand projections for Ontario or eastern Canada and British Columbia.

(*Translation*)

Mr. COMTOIS: Sir, I heard it said that in five years from now, the Eastern provinces and British Columbia will be buying 300 to 400 million bushels of feed grains that will necessarily have to come from the Western provinces. Do you not think that this is a very advantageous market to be opened up for the Western farmers? This is a tremendous potential in Canada itself and I think the Western provinces will have to choose between making money on grain and making money on livestock.

(*English*)

Mr. ENNS: I go back a little, to the beginning of the brief. We have no objection to the trade between east and west or indeed, B.C. We do feel there is an unfair advantage in that it is a one-way subsidy. We are in a surplus position with respect to our livestock and poultry production in this part of the country, we are dependent upon Toronto or eastern prices, and when our surplus livestock production moves to these markets we pay the freight. If the subsidy becomes a two-way street why it takes some of the sting out of it as far as we are concerned.

In respect of the other question you raised, sir, while you may well require 300 million or 400 million bushels of feed grains in the near future, the question, I suppose, could be whether or not the grain will be available in western Canada.

We like to think we are going to expand our livestock operations to a tremendous extent here.

(*Translation*)

Mr. COMTOIS: Sir, do you not feel that the interests of the Eastern provinces and British Columbia are also the interests of Western provinces and the role of the federal government is to attempt to stabilize the economy of the country as a whole and I feel that the Eastern feed grains agency will precisely fill that role. It will act as a stabilizer. This was what the government thought, in particular regard for the Eastern farmers and some in British Columbia, of course.

(*English*)

Mr. ENNS: Certainly, Mr. Chairman, in this, our Centennial year, I would not speak out against anything that would not be to the benefit of the whole country. In view of my obligations to the legislature I must return, but I would just say, perhaps as a closing statement, that we support the objective of efficient distribution of feed grains. In our opinion, subsidizing of these in any form does not fall within that definition.

The CHAIRMAN: Mr. Comtois, the minister must return to the legislature and if you are agreeable, there are only three members who have questions. There are Mr. Grills, Mr. Hopkins and Mr. Peters.

Mr. GRILLS: I would like to ask the honourable minister if his statement of a low surplus of feed grains in the west includes the three provinces? Is that the position of the three provinces or Manitoba only?

Mr. ENNS: I think I will ask one of my colleagues to answer that one. My understanding is, yes.

Mr. A. KRISTJANSON (*Department of Agriculture, Province of Manitoba*): I think, generally, how you define the term surplus enters into this. I think the important point is that there is not this tremendous excess of feed grains in western Canada. There is some being exported, as Mr. McNamara pointed out last night, to the east. It is not a huge surplus and this is the image which is created. I think this is what we were trying to clear up. There is export, as Mr. McNamara pointed out, but it is not a huge unending supply. In fact, many of the feeders are having difficulties getting feed, at least in Manitoba; I cannot say for sure in respect of all parts of Saskatchewan and Alberta.

Mr. GRILLS: I think probably there has been a misconception in this regard also; I think some control of eastern feed grains was not to create competition with your livestock markets but to give the eastern farmer a continuous supply at a consistent price, which was caused by feed grain millers and dealers in many instances taking advantage of the seasonable supplies in the east. It was to retain a uniform supply so the price maintained one level, rather than to create any competition with feeders in the west.

Mr. ENNS: I agree that the purpose, of course, is to help the situation in the east. But, when our fattened beef comes into the Toronto market and the freight on it is not subsidized, we feel it comes into unfair competition in this way.

Mr. GRILLS: I would like to compliment the minister. I think he is doing a good job, in the position he is in, for Manitoba. I would like to inform him that a

lot of the grain that comes to the east does not go into fat cattle and so on. We have no dairy surpluses in Canada. We are importing some butter and certainly we are not competing in dairy products. A lot of our feed grain is used in the dairy industry.

Mr. ENNS: I would point out to the hon. member, as I did earlier, that we also have a dairy industry here as well as the other areas of production that we have already talked about. We also find ourselves in a non-surplus situation with respect to dairy products. We here in Manitoba are on an import situation.

Mr. HOPKINS: Mr. Chairman, I would just like to point out, in reference to some of the remarks that have been made about the Crowsnest Pass rates, that while it has been stated that the Crowsnest Pass rates cannot be classified as a subsidy, certainly I do not think it can be denied they are a privilege enjoyed by western Canada. Would the minister not agree with this?

Mr. ENNS: I suppose it would depend on how many dollars and cents you put beside the word "privilege".

Mr. HOPKINS: But you will admit that it is a privilege?

Mr. ENNS: I think it is and one we would like to hold onto for a long time to come.

Mr. HOPKINS: I bring this out because had he disagreed with me, Mr. Chairman, I would suggest if he in his area and others in western Canada were accustomed to paying the freight rates that we do in Ontario and Quebec, they could not help but recognize the freight rates in western Canada as a special privilege. Possibly if our rates were not as high you would not enjoy such a privilege with the Crowsnest Pass rates because someone would be looking for more revenue. It was mentioned by one of the witnesses earlier in the week that possibly there might come a time when the west might be looking for protection on feed grain in order to prevent cheap foreign grain from coming into Canada and hence into the feeding areas of eastern Canada. Has the minister had any representations along this line?

Mr. ENNS: No, I have not.

Mr. HOPKINS: It is not widespread.

Mr. ENNS: I will consult with my colleagues. No.

Mr. HOPKINS: While the eastern feed grain growers might approve of this, too, certainly a large section of the livestock feeding industry would be very much opposed to it, naturally. Is it not true that the national farm organizations across Canada endorse the eastern feed grain agency?

Mr. ENNS: Yes, they do. However, this points out, of course, the difficulties in establishing any kind of a national farm organization. I would have to point out that there was a lot of western opposition within the CFA—I think that is the organization he is referring to. However, I agree with the member that they did agree with the eastern position on this. We heard the rumblings from the western people here while they made that decision.

Mr. HOPKINS: Some comparison was made between the eastern feed grain agency, which covers seven provinces in Canada, and the Canadian Wheat Board.

The statement was made, I believe, that the eastern feed grain agency is being subsidized by the federal government, whereas the Canadian Wheat Board is not.

I would like to make another comparison here which I think would balance off this particular complaint, and I have the figures here in front of me. Possibly the eastern feed grain agency could be compared with the Board of Grain Commissioners. While the Board of Grain Commissioners operates on a national scale, certainly I think we must agree that they do the major share of their business in western Canada. I notice that in 1964-65 the cost of operation of the Board of Grain Commissioners was $5,146,914 whereas the receipts were only $3,617,588. So, in effect, the Board of Grain Commissioners, which does the major part of its work in major Canada, was subsidized by $1½ million; and if we look at the 1963-64 fiscal year we find the Board of Grain Commissioners was subsidized to the tune of $2 million. I do not think there can be a legitimate complaint put up about the eastern feed grain agency being subsidized by the federal government when, in effect, we have another organization that balances it off.

Mr. ENNS: Gentlemen, I am just a rookie minister who just got through his estimates. Right about now I think I am going through them again. I would have to say that if one wanted to start comparing different boards and how they are being financed—one that comes to mind is the National Harbours Board—I think we in the west would come out a very poor second best, if we wanted to go the whole gambit of different agencies and boards that, in one form or another, may be supported by public funds. I think the member would agree with me on that. The particular point is well taken although we do not think there is really a parallel situation, we feel, in the sense of the establishment of an eastern feed grain agency operating as such or as an agent of the wheat board, that there is very close parallel to draw between those two types of organizations. For that reason we made the point we did.

Mr. HOPKINS: You admit, Mr. Enns, then that when you start comparing, as an earlier questioner did, the eastern feed grain agency and the wheat board, then you can get into all sorts of ramifications on this particular thing. Maybe we were not justified in bringing it up in the first instance?

Mr. ENNS: Well, touché.

Mr. PETERS: I would just like to say to the minister that I think this will iron itself out. I think his fears are ungrounded in relation to the feed grain agency and it probably will be regulatory more than anything else. The problem in eastern Canada was having supplies of western grain available without being held up. This agency, in the beginning, would be a policing type of agency, I would think.

How much encouragement is being given to the proposition of concentrating more and more effort through the port of Churchill each year?

Mr. ENNS: When I received news of your eminent visit to this fair city I sent a telegram to the hon. Minister of Agriculture, Mr. Joe Greene. I felt it was incumbent upon the committee to make the trip up to Churchill to see our port there. We, of course, are constantly looking for ways and means of increasing the usage of that port. We also recognize, of course, the very real problems associated

with shipping out of that port. We have a tendency to feel, in government circles here, that we look forward to, perhaps, some pretty major technological breakthroughs before the full capacity of that port will ever be realized. I might even go so far as to mention possible future submarine services of some kind to escape the ice flows which are hampering us.

Mr. PETERS: Are you, as a provincial government, giving any thought to the federal government picking up the extension of insurance rates before and after the insurable season? The accident rate, as I understand it, is very, very low up there. There is by most shipping companies and indication that if insurance rates were being provided they could extend that port probably another six weeks.

Mr. ENNS: I will have to refer that question to my colleagues.

Mr. KRISTJANZSON: It is a good suggestion. I do not think the province has ever made such a suggestion. One of the important elements in port Churchill is the necessity for a two-way load. As it stands now this really does not exist to any high degree, although outside of what shipments it is very directly related to the freight rates that they can provide there. So this gets into a whole new gamut of imports and the possibility of imports though that particular port.

The CHAIRMAN: I want to thank Mr. Enns, the honourable minister. I would remind you of the first news release that we sent out on this pointing out that these were all reasonable and responsible members and I feel sure this is true in view of your concern about the eastern feed grain board.

Mr. ENNS: I want to thank you, Mr. Chairman and members of the committee. I certainly consider it a privilege to have had the opportunity of appearing before you. Thank you.

The CHAIRMAN: One thing that I wanted to discuss at the start of the meeting was whether or not we should have the wheat board back tonight. One of their officials is patiently waiting. We are going to have two witnesses after supper. I do not think we want to sit too late because we have to be on our way by 6.15 a.m. tomorrow. If we have another 20 hour day there may not be very many members make it to Fort William. It is up to the committee as to whether the wheat board officials come back. We have Mr. Molgat coming at eight o'clock and the Board of Grain Commissioners. If you are desirous of having the wheat board come back, they will. I would remind you of what Mr. McNamara told us last night, that he was perfectly willing to come to Ottawa to finalize any questions any member may have, before we sum up our report for the House of Commons.

Mr. RAPP: Mr. Chairman, I think we had a very good brief from the Canadian Wheat Board and all questions put to Mr. McNamara were answered. I, for one, do not think we should have the Canadian Wheat Board back.

Mr. MUIR (*Lisgar*): Mr. Chairman, I would like to add that I cannot see any reason for having the Board of Grain Commissioners back. We have been talking to them ever since we left Vancouver.

The CHAIRMAN: There were more members who still had questions for the Board of Grain Commissioners. Last night, when we cut off discussion, we said we would bring them back. I do not know if you were here then, Mr. Muir. This

was a decision that was made at that time. The committee members agreed, when we cut off discussion with the Board of Grain Commissioners, that if it was possible we would have them back tonight. We are not going to be here that late tonight because Mr. Molgat's brief, he told me, will not be too long. Several members also intimated to me that they did have questions they would like to ask of the wheat board.

Mr. OLSON: Mr. Chairman, I was one of them. I think it would be well for committee members to bear in mind that the terms of reference of this committee are to look into the reports of the Canadian Wheat Board. While it is very interesting to go over all of these other problems in agriculture, this is the paramount matter we are charged with the responsibility of reporting to the House of Commons on. I would, therefore, not insist that the Canadian Wheat Board be brought back but I have a number of other questions that I want to put to them. Perhaps we can do it in Ottawa before we report. As far as I am concerned, within the scope of our terms of reference, it is more important to me to have the Canadian Wheat Board back to finish the examination of those officials than any of the other witnesses.

Mr. DANFORTH: Mr. Chairman, I would like to advance the proposition that we do not call back the members of the wheat board, especially in view of the schedule we have this evening. I would suggest that perhaps it would be better for the committee at this time to consider the possibility of having a representative of the wheat board come to Ottawa, where we can have further meetings. We will have, as a committee, an opportunity, in the meantime, to try to digest the great volume of information that has been packed into the last three or four days. I am certain it would not be possible, if we sat here the rest of the week, to complete the questions that many of us have of the Canadian Wheat Board, who have been so gracious and so patient with us during this week. I would suggest, on the face of this, for the consideration of the committee, that we do not hear tonight representatives of the wheat board or the Board of Grain Commissioners, in order that we may have ample time to thoroughly consider the other briefs that are to be given tonight.

The CHAIRMAN: Is there further discussion?

Mr. OLSON: I think we have gone quite a long way beyond the scope of our terms of reference in inviting witnesses before this committee and discussing a whole lot of subjects other than the Canadian Wheat Board. This is the reason we have used up a lot of time. We are always running into this problem of time because we get off the subject matter of the terms of reference. If the Canadian Wheat Board are prepared to come to Ottawa some time before we report, as far as I am concerned, we can finish the questioning in Ottawa.

The CHAIRMAN: It is agreed then we will dispense with hearing the wheat board tonight? I think our meeting tonight should be very short. I would remind members of the committee that the shortness of the meeting is up to you, and not to me, as Chairman.

Gentlemen, the witness before us at the present time is Mr. Brown, Vice President of the United Grain Growers Limited. Has everyone a copy of this brief from the United Grain Growers? I will ask Mr. Brown to proceed with his presentation.

Mr. R. C. BROWN (*Vice President, United Grain Growers Limited*): Mr. Chairman, and gentlemen, I may pause on two or three occasions to interject a comment into this brief but they will be short.

Mr. Chairman and Members of the Committee, I thank you for the opportunity to appear before you today on behalf of United Grain Growers Limited. Our president, Mr. A. M. Runciman, was gratified when he received the Committee's invitation and had expected to attend this hearing in person. That, however, was rendered impossible by a change in the Committee's itinerary and by other duties undertaken by Mr. Runciman. He is in Geneva as a member of the Advisory Committee of the Canadian Wheat Board in connection with international negotiations concerning wheat. I may say that he has briefly returned to Canada but will be returning to Geneva on Sunday.

Perhaps for the benefit of members from other parts it should be said that ours is the oldest farmer-owned business organization in Western Canada. We have for distribution the Company's annual report. The Company's principal business is operating some 760 elevators at 620 country points in Western Canada and terminal elevators at the Lakehead and at Vancouver. The Company has more than 50,000 members; it operates in all three prairie provinces as well as in the grain-growing areas of British Columbia. On frequent occasions during past years our Company has been represented before the Agricultural Committee, at times by its own officers and at other times by officers of the Canadian Federation of Agriculture of which it has long been a member.

It seemed, to our Board of Directors, a happy inspiration for your Committee as a whole to come West. You are obtaining, in your official capacity, information that will be valuable in your annual review of the reports of the Canadian Wheat Board and of the Board of Grain Commissioners for Canada.

As the Committee knows, the system of selling Western-grown wheat through the Canadian Wheat Board is highly valued by the majority of Western farmers, by the grain trade and generally by the public of the prairie provinces. When it was first introduced, it is probable that some people regarded it as a temporary system, designed only to take care of passing problems. Now its permanence is taken for granted not only by grain producers but by all concerned with the handling and forwarding of Western grain. It seems safe to say that you would not find in Western Canada any responsible person who either advocates or expects any other system to replace it for exporting wheat from this country That is not only because producers have come to like this system or because the system's efficiency has been demonstrated. It rests also on the fact that Governments throughout the world are involved in international wheat trading to an extent that makes inevitable some participation by the Government of Canada. Oats and barley, of course, are not export commodities to the same extent as wheat. They seem likely to continue under the Wheat Board because producers like the system and because the handling of these commodities bears some relation to that of wheat.

Trade negotiations currently in progress in Geneva relates to extension of the International Wheat Agreement as well as to tariff reductions. Western wheat producers generally accept wholeheartedly the idea that wheat prices should be internationally controlled to the extent that consumers are protected

by a stipulated maximum level and producers by a minimum level. Producers have, however, urged that present levels are too low and that a new agreement should set both higher minimum and maximum prices. The Government of Canada has indicated its concurrence in that point of view for which our Company feels confident there will be full Parliamentary support.

Indeed, it is reasonable to hope that wheat importing countries as well as those countries which export wheat will recognize the validity of the argument for a higher price scale. Such arguments are based on the world's urgent needs for increased food production if enough food is to be produced to satisfy the needs for the ever-increasing populations of different countries. No doubt farmers of Western Canada can produce more food than at present, and they expect to do so. They can, however, achieve their full potential only to the extent that prices are remunerative. They must be able to pay for fertilizer, machinery, fuel and all other supplies required in increasing quantities.

The Canadian Wheat Board has just distributed cheques for some $270 million as final payment on wheat produced by producers during the crop year ended July 31 last. That is an impressive amount and throughout all Canada the payment. You do not need to be informed that it is the producers' own money your Committee, of course, are under no misapprehension as to the nature of this payment. You do not need to be informed that it is the producers' own money which has just been paid to them. It is as if the producers were drawing cheques on their own bank account. Members of your Committee are well equipped to correct any misunderstanding in this connection should they encounter it.

Mr. Chairman, I would like to pause here very briefly and quote a small portion of an Ottawa Canadian Press despatch which says:

> The final wheat payment of $270 million brings the total for the three grains to $311,575,689 the largest in wheat board history.

At this point I would like to comment that, in my personal view, it would have been quite possible to have paid out an additional $100 million or $150 million of that amount, without endangering the national treasury, by way of higher initial prices.

Several points concerning the Wheat Board are not universally understood. The Wheat Board is a Crown agency, but unlike any other agency of the Crown. It has not been provided with any investment capital. Its working capital is not drawn from the public funds but is financed on the security of and from the sale price of the grain it handles.

While the Government of Canada does appoint the Commissioners of the Wheat Board, it does not provide their salaries nor the salaries of its staff, who are not members of the civil service. These costs, together with the employees' pensions and administrative expenses, are borne by the grain producers whose products the Board markets.

Similarly members of your Committee are well equipped to understand and interpret requests by farm organizations that the Canadian Wheat Board be authorized to make higher initial payments, particularly on wheat.

I am afraid I used my quotation slightly out of position. This seems to be especially valid since the Wheat Board has dropped the former practice of

making interim payments. I think if you refer to page 18 in the addenda in the Canadian Wheat Board report, you will see that there are very wide safety margins between the initial payment and the final payment made.

Producers do not regard initial payments as a guarantee of income nor is it expected that they will involve any burden on the National Treasury. Instead, the intent has always been to set the initial price sufficiently below the expected realized price to provide a margin of safety for the Government. The basic initial price for 1 Northern Wheat when the Canadian Wheat Board was first established was set at 87½ cents per bushel. It was put at $1.25 per bushel when the Canadian Wheat Board became the sole marketing agency for Western wheat. It was later advanced to $1.40 and then to $1.50 when market conditions justified these increases.

Before long the Canadian Federation of Agriculture will be presenting to the Government the idea that a further increase can now be made without any risk of creating a burden upon the taxpayer. The size of the final payment recorded in the annual report you have before you and the still larger final payment recently made indicate that, at its present level, the present initial payment on wheat provides an unnecessarily wide margin of safety. If the Government accedes to the request, as may reasonably be expected, members of the Committee, will be able if necessary, to explain the situation to fellow Members of Parliament.

Much is heard these days about the danger of inflation. It may be useful to point out how important are the anti-inflation effects in Canada of the Wheat Board's system of grain marketing. The grain farmer contributes importantly towards combatting inflation by foregoing for long periods much of the monetary value of his product. The final payment of $270 million dollars just made by the Canadian Wheat Board was in respect of a crop of wheat seeded in May of 1965 and harvested before the end of October of that year. Thus this payment relates to productive efforts completed some 16 months ago. No complaint whatever is made by producers or on their behalf in respect of this delay. But had full payment followed close upon the productive efforts involved, as is the case with wage and salary earners, it would have been very much more difficult to restrain inflation in Canada.

The Canadian Wheat Board has received well justified praise for its efficiency in selling wheat for export. For the crop year ended July 31, 1965, its actual exports of wheat and flour at 400 million bushels, were well ahead of the long term average. For the preceding year exports had amounted to 595 million bushels; in the following year ended in 1966, the total was 580 million bushels. Volume in the current grain year is expected to be high, partly on account of large-scale contracts with Russia and China, negotiated during 1966.

Exports of such magnitude need more than an efficient selling organization. They involve great tasks in the physical handling of grain and your Committee is studying some aspects of those tasks. As a Committte, you annually review the report of the Board of Grain Commissioners for Canada; as Members of Parliament you hear a good deal about the railways' function in transporting grain. You will find it appropriate, while in the West to consider the important function

of the elevator system of Western Canada. Our Company, United Grain Growers Limited, is a substantial part of that system. Last year its country elevators loaded into railway cars more than 109 million bushels of grain and its terminals shipped more than 87 million bushels.

Country elevators have to be numerous and wide-spread so the producer, in delivering grain, does not have to haul it too far. They must be large to accumulate shipping quantities of many different grades and to store grain not immediately required in forward positions. They must also be large so the producer will find space available to receive his grain. From the standpoint of a large export trade, there must be in store at all times abundant supplies to meet market demand when it arises and to use rail and water transport as provided.

Operators of country elevators act as agents for the Canadian Wheat Board in receiving and paying for grain as delivered by producers, in forwarding grain as called for and in providing accounting and reporting services.

It has taken a great capital investment to provide the elevators now in Western Canada. The investment by our own Company has been considerably more than $40 million. This will increase steadily from year to year to keep pace with the need for improvements and replacements. Service charges must be sufficient to cover both capital costs and operating expenses. Such charges are not to be thought of as a burden on the producer for they add more than they cost to the value of his grain. Storage provided by the elevator system makes it possible for the consumer to buy over a prolonged period, grain produced at an earlier time and to avoid the cost and risks associated with storing grain overseas.

Wheat held in store in North America constitutes a great part of the world's food reserve. It is stored here more cheaply and more efficiently than can be done elsewhere in the world. One reason for that lies in the rigors of the climate of Western Canada which keeps, at a minimum, damage from bacteria and insects.

The services performed by our Company are a source of pride to those connected with it. We feel assured that the storage of grain in our elevators has not been a burden on the national economy of Canada. We regard it as adding to the national income, as a contribution to what the economists call the gross national product.

Those members of your Committee, who, on Monday, visited our terminal elevator at Vancouver, observed that the jetty had recently been lengthened by 240 feet and were informed that the loading gallery is now to be extended the full length of the jetty. That development, unforeseen only a few years ago, is to accommodate vessels much larger and of deeper draught than those which formerly carried Canada's grain overseas. In order to accommodate the larger trucks now hauling farmers' grain, it has been necessary, at country elevators, to provide much larger and more costly scales and driveways. No one associated with the elevator business in Western Canada can escape the knowledge that elevator operators must continue to make larger capital expenditures to provide needed facilities. To obtain and to apportion funds for this purpose is the constant preoccupation of those who direct the operation of an elevator company.

A number of persons have, in recent times, publicly described the country elevator system in Western Canada as outmoded and inefficient. It should be

noted, however, that these opinions are being expressed by people who have no direct responsibility for long-range planning, financing, construction or maintenance of country elevators.

Elevator companies are themselves very much concerned, actively studying and seeking solutions to this complex of problems. In the case of our own company, long-range study has been a continuous process which, in 1957, resulted in a co-ordinated approach to meeting present needs and future objectives.

The problems faced by elevator companies stem from several sources, notably greatly increased storage requirements, railway branch line abandonment and tremendously increased costs of construction. Dealing with these three points in order, the following comment seems pertinent:

1. Due to rapidly increasing world population, it is now generally believed that North America must produce and provide storage for ever-increasing amounts of bread grain.

2. Under the authority of Parliament, railways have been empowered to abandon many branch lines, thus necessitating the removal of many country elevators and their replacement by new increased storage space at alternate points.

3. No one can be under any illusion as to the cost of construction of country elevators today as compared with 20 or 25 years ago. Added to all the other inflationary factors, these costs are now increased by a 12 per cent federal sales tax and provincial sales taxes of 5 per cent in B.C., 4 per cent in Saskatchewan and possibly 5 per cent in Manitoba.

I may comment that the 5 per cent in British Columbia is applicable on an f.o.b. shipping point basis. In other words, all materials freight paid are the basis on which the 5 per cent is levied. So it is a pretty hefty charge. The term, possibly, in Manitoba, refers to the fact that at this point of time no one is able to say definitely that the tax will apply to elevator construction materials. It will apply to construction materials but whether entirely to elevator construction materials is not known at this point of time.

Ultimately the provision of funds for elevator construction, maintenance and operation becomes a charge against the sale price of the farmer's grain. The taxpayer bears no part of the cost. Bearing these factors in mind, efficiency must be measured in terms of cost benefit to the man who pays.

Respectfully submitted on behalf of United Grain Growers Limited.

The CHAIRMAN: Thank you Mr. Brown. We have five names and Mr. Rapp is first.

Mr. RAPP: Mr. Brown, before you read your presentation you made a statement that Mr. Runciman is in Geneva to help negotiate the price under the International Wheat Agreement. Has your board given him any instructions of what the high and low should be under the International Wheat Agreement?

Mr. BROWN: I think you misunderstood what I said. I did not say anything at all about him being there to negotiate a price. I said he was there. I think, if you refer back to the text, you will see our president is in Geneva as a member of the advisory committee of the Canadian Wheat Board in connection with international negotiations concerning wheat. All I said, in addition to that, was that he

was briefly back in Canada and that he would be returning on Sunday. I said nothing at all about price and at this point of time, as I understand it, price is not entering into the discussion. As to the question of whether our board has given him any instruction, I can only say no, we were not in a position to give any instruction.

Mr. RAPP: During our tour there were briefs presented by some farmers organizations which stated the amounts they would like to see the low and high set at under the International Wheat Agreement. Has your organization, the UGG, ever discussed this matter, or have they come to some decision as to what the prices should be under the International Wheat Agreement? Some of the briefs stated figures. If you have an answer to this, I would be pleased to hear it. If you do not want to disclose it, that is a different thing. Could you give the committee an indication of what prices you would like to see established under the International Wheat Agreement.

Mr. BROWN: Specifically, our board has not, in the present situation, discussed price details. We are, however, of the opinion that definitely the price levels should go up.

Mr. RAPP: How much?

Mr. BROWN: I could only express a personal opinion. My own view, and this is not a statement of company policy, is that I think there should be a minimum increase of 25 cents.

Mr. RAPP: That would bring it up to about a high of $2.50.

Mr. BROWN: Yes; I would think that is a minimum. I am only expressing a personal opinion.

Mr. RAPP: Yes, that is right. This is pretty nearly in line with the prices that have been mentioned in other briefs. This is the only thing I wanted to bring up. Thank you.

Mr. LEFEBVRE: I understand that we are supposed to be out of here by 5.30 so I will just deal with one subject. Mr. Brown, you make a statement on page 8 which I found very interesting because it conflicts with other views that have been given here. It states:

> A number of persons have, in recent times, publicly described the country elevator system in Western Canada as outmoded and inefficient. It should be noted—that these opinions are being expressed by people who have no direct responsibility for long-range planning, financing, construction or maintenance of country elevators.

This morning, I think it was, Mr. Hamilton of the Board of Grain Commissioners spoke for a while on this subject, and he seems to have some knowledge of grain. He says there is a report by a firm of engineers that will be made available to this committee, which states that there are far too many elevators in western Canada and that they should be drastically reduced. I would like you to enlarge on this a little bit, in order to help the committee in its findings, I would like to know, who is right on this subject. We have two knowledgeable people with very different opinions. Are we living in the past a little bit, with elevators built 40 or 50 years ago in the time of the horse and

wagon days when, today, we have modern highways and large trucks. Will they some day become regional elevators?

Mr. BROWN: You have asked me a very complex question. First of all, let me say—I do not mean this to be offensive—that I would include Mr. Hamilton in the group who do not have to finance country elevators. He is in that group, you see. A number of persons have in recent times publicly described the system as outmoded. It should be noted these opinions are being expressed by people who have no direct responsibility for long-range planning, financing, construction and maintenance of country elevators. I would include Mr. Hamilton in that group.

Mr. LEFEBVRE: Have you seen this report, sir, that he mentioned?

Mr. BROWN: No, I have not. Now then, I will come to some other parts of your question. You are assuming there is a difference of opinion between Mr. Hamilton and myself as to the number of country elevators. Let me say that I think it is generally recognized in the trade that there are too many actual buildings operated in western Canada. Our own company has been sufficiently aware of that so that over the years we have, on many occasions, held discussions with other elevator companies, with the result that we have withdrawn from a point here and they have withdrawn from a point somewhere else, and we have exchanged elevators. What is done with these elevators after they have been exchanged is another matter. They may remain standing. But what frequently happens is that one elevator becomes nothing more than dead storage and you are reduced to a point of one operating elevator where you formerly had two operating elevators, both of them with a full complement of operating expense, including an operator's salary. This kind of thing, to me, is proof positive that we who are responsible for elevators are not asleep at the switch, as some people think we are. But we do have the basic responsibility of finding the money with which to make these changes. Make no mistake, gentlemen, this money is not found from the coffers of the nation. There is only one place from where that money can come eventually. It comes as a charge on the farmer's bushel of grain. Unless and until we are able to get, by negotiation with the wheat board—I am not saying this because you are here because this is an area where, as a committee, you have no responsibility; this is something between ourselves and the Canadian Wheat Board—handling charges at a level that will enable us over the long pull to meet these new costs, the costs of destruction of old outmoded elevators, of removal of elevators to different sites, of rebuilding elevators which are over-age, that money must come out of the farmer's pocket or, at least out of the bushel of grain he delivers to the elevator. These are reasons we say that if the farmer is going to have to pay for these things, then he is going to have to have a higher price for his grain, among other things. But surely it is self-evident that unless the money is forthcoming you cannot do these things. I think the committee should have a full understanding of that problem. I do say, however, I am not putting it in your lap because this is something we are quite prepared to go on negotiating with the Canadian Wheat Board.

Mr. LEFEBVRE: I am glad to have your statement on this because there is some conflict in my mind, and probably in the minds of some of the other mem-

bers, on this subject. I am sure, after we get the minutes of this meeting and the others we have had, plus the report, it will give us much more to go on. Thank you.

Mr. MUIR (*Lisgar*): In one of the briefs, presented to the committee objection was taken to having elevator operators—I expect that would mean country elevator operators—come under the provisions of the new Canada Labour Code. I am wondering what effect this would have on your elevator operation?

Mr. BROWN: I would say just the same effect it has on every other elevator operation. Here you have men who are, first of all, in the nature of local managers because they dohave to operate that local elevator. They are responsible for operating it. They are licensed by the Board of Grain Commissioners to operate it. If they do not operate in accordance with the licensing authority regulations, they lose their license. So, they are not in the ordinary category of day labour. They are salaried personnel and they do have responsibilities that the ordinary union man does not have, or non-union man who works by the day in many other occupations. Now, I think that is a very important consideration.

The other most significant thing is that because of the pressure of delivery of grain at certain times of the year, it is completely impractical to have an elevator operating on an eight-hour basis. You know that very well from your own knowledge, sir. The country eleators must take grain in when grain is available, when it is being harvested. If there is space at all, they should take it in. It just, to me, is completely impractical to include these men in the category that can only operate eight hours a day and that you must hire a replacement or an additional man to operate other hours if you are going to keep open more than that eight hours. This piles further cost on the farmers.

Mr. MUIR (*Lisgar*): Would you like to see this committee recommend to the government that elevator operators, not helpers, be designated as managers and not come under the labour code.

Mr. BROWN: I would wholeheartedly recommend that you do so, if that is any help to you.

Mr. MUIR (*Lisgar*): I have just one other short question on a matter brought up by Mr. Lefebvre, having to do with removal of elevators. This, from the standpoint of the elevator companies, makes for a more efficient operation, but I would like to point out to the committee that every elevator removed from western Canada adds to the charges of the farmer himself because no farmer in harvest time is going to draw his grain too far. It means he has to have a little truck or a big truck, if he is a big operator, at his combine so he can keep it operating full-time. This means, that if the storage is taken away from him, he is going to have to provide his own storage. He is going to have to put his grain in that storage on the farm and take it out again. This is going to add to his cost. I would hate to see too many of these local elevators removed from western Canada where they can be operated at least successfully.

Mr. BROWN: Mr. Muir, will you note the very last sentence in my brief:

> Bearing these factors in mind, efficiency must be measured in terms of cost-benefit to the man who pays.

In other words, to the farmer. Certainly, it would be possible to establish a very much more mechanically efficient elevator system across Canada, but at what cost? Efficiency is not all a matter of mechanics. You can take an automobile out and you can say it will perform. The engine will perform beautifully at 75 miles per hour but it is going to cost a lot more money for gasoline because it is running at 75 and not 55. The same thing applies here. If elevator companies had unlimited funds, of course, they could build palatial elevators and all the farmers in the community would have room to put their grain in immediately. But the economics of the thing do not add up because once you did that, you would be sitting there with unused storage space the moment the wheat board started to ship it out.

Mr. MUIR (*Lisgar*): The point that I am trying to make sir is that as long as even these small elevators we have out here operate efficiently for their size they are of more benefit to the farmer than a large centralized elevator?

Mr. BROWN: I think the only answer I can give to that, sir, is that elevator companies must all look at their source of revenue and their costs. We all know that the size of a country elevator which is efficient today is bigger and handles a larger volume of grain than was the case ten, fifteen or twenty years ago because you have to have greater handling to carry the overhead. This is one of the compelling reasons for consolidation or exchange of elevators, or getting out of a point which may be very marginal in so far as handling is concerned and building a larger elevator at a point where you get enough volume to warrant the construction cost. I think you have had many statements on the cost of elevators already. If not, you will have some. These figures will probably vary but they are now running greatly in excess of $1 per bushel of space. At one time, looking back over the years, they could be built for about 20 cents per bushel.

Mr. JORGENSON: Mr. Brown, at the back page of your annual statement you list the number of points at which you operate country elevators as being 591 in 1966. How many of those elevators will be without trackage if the proposed line abandonment currently being considered takes effect?

Mr. BROWN: I would not want to say that I could give an accurate answer to that question at this point. If my memory serves me well, if the ultimate abandonment took place we would lose somewhere between 125 and 150 elevators. That is the ultimate of abandonment. Now that, Mr. Jorgenson is only an off-the-cuff answer.

Mr. JORGENSON: I do not think, for my purposes, it is necessary to have a precise number because it will depend anyway upon the number of abandoned lines that are authorized. At 125 points, what does the United Grain Growers propose to do to service those areas? Do they intend to build larger receiving houses at nearby points or do they intend to continue to operate those elevators simply as storage places?

Mr. BROWN: For a brief time some of them may be all right as storage. But, bear in mind that the Board of Grain Commissioners has something to say about this. They will not necessarily license a house that has been abandoned by a railroad. This is an area of administrative authority.

Mr. JORGENSON: If they adopt a policy of not licensing points that are not alongside railways, what would you propose to do with those elevators?

Mr. BROWN: That will depend a great deal upon the individual elevator. If it is a good elevator—that is, not one of real old vintage, sound and capable of being moved to another point, it might be moved. Some of them already have been moved. If there was no place to which it would be moved or it was not in too good shape, it would simply be demolished. I think a further answer to your question could be that over the years we have actually reduced very considerably the number of elevators we operate. At one time, as a result of purchases of other companies, we had, I think, aroung 900 elevators. We have followed a policy of deliberately getting out of points by trade or sale. We have followed a consistent policy for many years of trying to upgrade the quality of elevators and reduce the number of competing elevators at a point where obviously there were too many; in other words, to make some effort at rationalizing the location and operation of country elevators. In this connection, some of the other companies have co-operated with us.

Mr. JORGENSON: In the construction of new elevators, what capacity do you attempt to arrive at? What size elevator do you think now and in the foreseeable future would be an efficient type of receiving house?

Mr. BROWN: That will depend a great deal upon the appraisal it is possible to make of the delivery area-the region from which the grain will flow. Let me put it this way. We moved into Portage la Prairie several years ago and I think, if I remember correctly, we built a 135,000 bushel elevator at that point. Now Portage la Prairie is on a main line. Obviously, it is a good graingrowing area. We went into Brandon and, offhand, I cannot tell you the size of the elevator there because it changed between the time it was originally conceived and the time it was finally built. However, it will depend very substantially on whether it is designed to take care of a new growing territory or merely to replace several small, old elevators at individual points around the country. For example, there still are places where new elevators must be constructed—the odd one in northern Alberta, and not too long ago there were some in northern Manitoba. Your policy will have to be suited to the best appraisal you can make of the future of the area, both from the standpoint of the competition that is there or may be there and the branch line abandonment program, as best as you can appraise it.

Mr. JORGENSON: Thank you, Mr. Chairman. Mr. Brown has answered my questions very adequately.

Mr. PETERS: Is it the intention of your company to undertake the building of any elevators that will process the grain to the Board of Grain Commissioners standards for export as a finished product, other than ocean terminal elevators?

Mr. BROWN: What do you mean by finished product? Do you mean flour?

Mr. PETERS: No, no. I meant ready for export.

Mr. BROWN: The grain that goes to export out of our terminals is all cleaned to government standards right in our terminals. It is export grain when it goes out of there.

Mr. PETERS: I agree. You have indicated that you intend to consolidate and, particularly with the abandonment of lines, you will have to consolidate in another area. When you have to do this are you contemplating consolidating the planning of elevators that will provide the marketing agents with the type of grain that can be loaded directly on boats from your inland elevators.

Mr. BROWN: What you are asking is, in effect, do we contemplate the construction of interior terminal facilities? I take it that would be a proper description of what you have in mind? I would say at this point of time, no. Again, I am perhaps expressing a personal opinion, but I would say it would not be an efficient operation at this point of time.

Mr. PETERS: What are you referring to on page 20 of your board report, when you ask for an increase in money and state:

> —under the scale of charges imposed upon operators the physical equipment for handling grain is deteriorating to an extent that threatens the welfare of the grain growing industry of Western Canada.

Has this not got something to do with the inadequacies that are apparent in the movement of grain?

Mr. BROWN: This has to do with the amount of money that is available to keep an elevator in repair, to replace outworn elevators and to pay all the operating costs. I think, if you were able to look at the financial statement of the operating companies, you would probably find that the country elevator departments are all showing a loss. I think that is probably true. It is on the over-all operation, including the terminal operation, that they are now able to keep going at all. Let us face it. Who is going to put money into a country elevator—replacement or rebuilding or new construction, unless they hope to be able to earn certainly the carrying costs of the capital that goes in plus something for the trouble. Who is going to put it in? This is the problem. When you look at elevator charges, as they are today, you realize that storage in country elevators remains at 1/30th of a cent per bushel per day, at which level it was 50 years ago. What other business is there in the whole of Canada that is expected to survive on the kind of income that it was able to earn 50 years ago?

Mr. FORBES: Farming.

Mr. BROWN: Farming is the only other one and we are all tied up in the same boat here. All of us who are concerned are fighting a battle to get a higher income out of the national economy than we are getting.

Mr. PETERS: I may be wrong but I gathered there was a conflict between the national interest, probably the farmers' interest in a way, and vested interests in overhauling the machinery more in keeping with the day. I agree that you have a big company and a heavy investment and, therefore, you cannot be expected to carry the brunt of this. Are we not facing the time when we are talking of producing a billion bushels. There is no question this year you have done an excellent job in the transportation and handling of grain. You pushed it to what would appear to be a maximum at the present time. How are we going to increase this, maybe even double it, without changing the system to some extent, because it seems to me to be fairly archaic.

Mr. BROWN: I am going to make a statement here, and I hope there is someone from the wheat board here to reply if I am wrong. Did you ever hear or has anybody ever told you that a shortage of grain occurred at the seaports or at the Lakehead ports because country elevators were not doing their job?

Mr. PETERS: No.

Mr. BROWN: No. Why did it occur? It occurred because railwaymen went on strike; harbour workmen went on strike; somebody other than the country elevator made—to put it in crude terms—a hell of a mess of it.

Mr. PETERS: You will have to agree you are looking for a Utopia if you are expecting this situation not to be repeated in the future.

Mr. BROWN: All I am saying, sir, is do not say the country elevator system is inefficient and outmoded because the grain is not getting to the seaports or the shipping ports because that is not true. That is not where the bottleneck is. I am not saying that we do not have to overhaul these facilities. We do; we admit it and we are doing it. Our own company spent $2¾ million last year on reconstruction and new construction and that, by the way, was more than our net income. The only reason we dit not spend more was because we could not get the manpower to do the construction work. That is a literal fact. We were short of men to actually go on building crews last year.

Mr. PETERS: Mr. Chairman, does Mr. Brown not think that it is surprising to be building a Sask Wheat Pool terminal with the loading capacity they are planning, rather than using one of the pool terminals which already exist, with the loading capacity they now have and with the type of changes which have taken place. The building of a new one, as I understand it, is pretty well in keeping with modernization but also in keeping with the type of terminal you already have. If we decided to put 2,000 bushel tank cars on the railway, your facilities are not such as to load them and your facilities are not built to handle them at the other end. What I am saying is that if you upgrade part of the system, you pretty well have to upgrade right down to the country elevator level, do you not?

Mr. BROWN: I think you must keep your country and terminal elevator systems seperate in your contemplation of what is needed. Above all, gentlemen, let me suggest to you that you do not let anybody put you in the position where you are making the elevator system a whipping boy for somebody else's shortcomings. Particularly, do not make the country elevator system a whipping boy because somebody went on strike in Vancouver.

Mr. PETERS: No, but I do not think it would be very fair to always make them the whipping boy.

Mr. MUIR (*Lisgar*): Why not?

Mr. PETERS: For the very simple reason that it is going to happen again and again and because we are living in the kind of country we are, there must be enough margin so we can allow for these situations; otherwise we are going to have a panic every time. There has to be a margin and my point is there does not seem to be any margin.

Mr. BROWN: Perhaps I have not made myself clear, sir. What happened in Vancouver was that boats could not pull up to terminal elevators and get a load. It was not because the grain was not there; it was not because we would not and could not put it on board, but because they could not tie up there due to the fact the stevedores were on strike. Now you could have had the most magnificent modern plant conceivable and under those circumstances not a bushel of grain would have moved out of it. So let us not get our signs all mixed up. Why did Canada fall down on its shipping commitments? Why did the wheat board fall down on its shipping commitments?

Mr. PETERS: It seems to be odd though that it takes a week to load a ship. It could not have been a factor, with your facilities ten years ago, when you were loading 300,000 bushel ships when you now have 3 million. It seems to me there has to be continual upgrading.

Mr. BROWN: Of course there has to be.

Mr. PETERS: Our competitors all over the world are doing it and we do not seem to be doing it.

Mr. BROWN: Oh no. You are wrong there. You still have to go to the Lakehead. If you want to go to a terminal elevator at the Lakehead, take a look at our terminal A at the Lakehead, which began operations in 1928. It was the first elevator to have the automatic car dumper. Today that elevator is equipped to load salties—seagoing vessels, and it requires special equipment. We are constantly overhauling and modernizing that elevator. This is going on all the time. This is why I say that the people who make the charge that the system is inefficient are the people who do not have the responsibility. We recognize and we are spending money. We are doing it continually.

Mr. PETERS: This is not quite true, because the Board of Grain Commissioners has the responsibility so, therefore, we do have some responsibility. I am not sure just how far we should exercise our responsibility. There is a certain amount of responsibility for us to examine, and it may be that the further away from it you are the more different it is.

The CHAIRMAN: I think Mr. Brown and many of the members in his organization would have some responsibility because most of them are members of pools. The President of the National Farmers Union really lambasted the facilities in the west; he said they were inadequate. It is his membership that is going to be paying for these.

Mr. BROWN: He did not come and find out the facts before he made the statement.

The CHAIRMAN: Well, we are only hearing this as we go west. You say he has no responsibility but his members have a responsibility.

Mr. BROWN: He has no direct responsibility. Look at the language; I say no direct responsibility.

The CHAIRMAN: His organization is made up of farmers. I want to remind members that if we are to hear the other witness before six o'clock we are going to have to move along. Some of your questions are to similar companies although one is publicy owned and one is privately owned.

I have Mr. Danforth, Mr. Clermont, Mr. Comtois and now Mr. Schreyer has intimated he wants to ask questions.

Mr. OLSON: Mr. Chairman, I indicated I wanted to ask questions about an hour ago.

The CHAIRMAN: I have not your name down.

Mr. DANFORTH: Mr. Chairman, Mr. Brown has been defending the country elevators and I admire him for the stand he has taken on it. My questions, Mr. Brown, are going to be very brief. In the statement you have given us here, you spoke of some 760 elevators, millions of dollars worth of capital assets and 50,000 membership. This is a tremendous size business, any way you want to estimate it. Mr. Brown, when was the last time in a business of this magnitude that a cost accounting firm was brought in to evaluate the methods, set up any principles of economies or suggest a more efficient manner of operation?

Mr. BROWN: We are going through that process almost—perhaps I should not say continuously; on many occasions we have had expert people come in and do an appraisal of some part of our business. It is a regular practice at fairly frequent intervals to have a check of some kind made on some phase of our business.

Mr. DANFORTH: I can appreciate that, Mr. Brown, and this would perhaps be where you are experiencing a particular difficulty. But my point is, has there been a cost accounting study done of the entire operation of this particular company to project what could be done to cut down the actual handling cost of grain or to increase efficiency? This question, Mr. Brown, to be absolutely fair, was prompted by the observation at a tremendous number of elevators that there has apparently been no difference in the method of actually mechanically handling this grain, whether the elevator be a year old or 30 years old. Certainly there must have been some advancement. I know that other countries and other elevators use different methods of handling the grain. Why do we not see new methods employed in some of these elevators?

Mr. BROWN: We have called experts in on that very point and we have made studies. To date there has been no major change proposed in this type of thing.

Mr. DANFORTH: Thank you, Mr. Brown.

Mr. BROWN: I think that is about all I can say about that.

Mr. CLERMONT: Mr. Brown, concerning the initial and final payment, you mentioned comments from a newspaper article and then in your comments you said that the Treasury Board would not have been hurt with an extra $100 million or $150 million of expenditure. Could you expound on that?

Mr. BROWN: I did not say the national treasury would have an expenditure of that nature. I said the national treasury would not be called upon for any expenditure if the wheat board had wanted to pay out another $100 to $150 million. Now the point I want to make absolutely abundantly clear is that that money does not come out of the national treasury. It is the sale proceeds of the grain, it is the farmers' own money and the only occasion on which the national

treasury would be in danger would be in the event that the initial payment, plus the administrative costs of the wheat board, exceeded the final selling price. That has only happened once in the whole history of the Canadian Wheat Board and that was with respect to the oats pool.

Mr. CLERMONT: Would you favour a higher initial payment or an interim payment, as it used to be years ago?

Mr. BROWN: Again, being a canny Scot by ancestry, I have to say that I think the cost of putting out an interim payment is probably not justified. Therefore, I say let us have a higher initial payment.

Mr. CLERMONT: Mr. Brown, is your company operating as co-operative or a company? In your annual report you mention shareholders but in your brief you mention that you represent 55,000 members?

Mr. BROWN: Our company, sir, is a co-operative company in the sense of the Rochdale co-operative system, which began on a capital stock basis. It is a co-operative to the extent that a man does not vote the stock he owns, it is one man, one vote. It is co-operative to the extent that it believes in ploughing back some of its earnings into education. It is co-operative to the extent that it believes there should be at least a minimum rate of interest on the capital invested. To this extent it is unlike some of the other co-operatives. Our charter is a special act of Parliament and gentlemen, you may remember that that charter was amended in the Parliament of Canada just a year ago, empowering us, the board of directors, to pay above the specified rate of interest of 5 per cent, additional amounts of one-half of one per cent up to a total of 6½ per cent, if we saw fit. It happens that we used that power this fall and we paid 6 per cent on our stock. You must have capital if a company is going to meet these challenges for new elevators. You must have capital and you must be able to attract that capital by serving it with a reasonable rate of interest. One of the other powers granted to us in that amendment last year was to increase our authorized capital from $7½ to $12 million. We are, at this moment, in the process of preparing a prospectus, and we hope to raise an additional share stock capital for the purpose of expanding and improving the facilities of the company. Does that answer your question?

Mr. CLERMONT: Thank you, Mr. Chairman.

Mr. COMTOIS: Mr. Brown, can we have your opinion on the Canadian livestock feed board. What do you think of it?

Mr. BROWN: I am very glad to give you my opinion on that and I hope I will not be regarded as being too outspoken. It so happens that I have been one of the people who have been called upon to speak very frankly in the Canadian Federation of Agriculture meetings in recent years on the subject of feed grains and the proposed livestock board. The position I took a year ago—I think I would be fair in saying it was pretty generally supported by the western group in the CFA—was that we could have no objection whatsoever if eastern Canada wanted an institution similar to the Canadian wheat board. Commissioners, appointed, if you like, by the Crown, but financed by the producers themselves who were us-

ing the service, just as the Canadian Wheat Board is being financed by the producers who use its services. Now, that was not what you got. So since it was not what I said we were prepared to approve, I think you can answer the question for yourself. I am not too happy with it because of the very fact that this board is using treasury funds I can see the possibility of a political conflict developing. This one board is much more subject to Parliament, I suggest, than the Canadian Wheat Board which comes under the purview of Parliament mainly for three reasons: First, the act under which it was created; second, the appointment of the commissioners and third the fixing of the initial price. From that point on it is its own man. It hires its own help and it reports to Parliament once a year. Now this new board is not on that basis. May I add one other thing, sir? The reason we are not too happy about this situation is that quite a good many years ago the farm-owned grain companies in western Canada offered to lend the eastern feed consumers money and personnel so they could set up their own grain handling agency in eastern Canada and accept some responsibility for their own welfare without going to Parliament. They declined the offer. I will never know why but it is a fact they did decline it.

Mr. RICARD: How long ago?

Mr. BROWN: I would think this would be about 15 years ago. Does that answer your question, sir?

Mr. COMTOIS: Yes, part of it. Would not the Canadian livestock feed board be obliged to buy wheat and grains from the wheat board?

Mr. BROWN: I believe the act says so.

Mr. COMTOIS: So do you not think the wheat board will control, in a certain way, the business in the operation, and the grain commissioners too?

Mr. BROWN: In so far as the technical aspects of it are concerned, I have no fears. I think I made my position abundantly clear. I view with some concern the possible political consequences. Surely you do not wish me to go any further than to make that plain statement. I do not want to be offensive to this committee which is, after all, a committee of Parliament.

The CHAIRMAN: I hope, Mr. Brown, that you are not saying you do not trust politicians. I want to say this to make it clear. We are not a damned bit different than anybody else. I spent about 20 years on co-operative boards and, as I said before, we are responsible and reasonable people, the committee is made up of representatives of all parties, and we are trying to make sure that all Canadians get a fair deal. I hope that I can re-assure you and all of the people concerned that this board is not out to take advantage of anybody else. As far as we, as parliamentarians, are concerned, we will make damned sure it does not.

Mr. BROWN: I am awfully glad to hear you say that, sir.

The CHAIRMAN: We are a new breed of politicians.

Mr. COMTOIS: Mr. Brown, I have one last remark. From your annual report of 1966 your company seems to be doing quite well.

Mr. BROWN: Very well.

Mr. COMTOIS: So I do not see that you have many, many reasons to complain about a lot of things. I note that your financial position is very good.

Mr. BROWN: Only because we have not let things slip; because we have been efficient; because we have had foresight.

Mr. COMTOIS: Our congratulations to you, sir.

Mr. SCHREYER: Mr. Brown, I infer from your response to earlier questions that it is your view, to the extent that there is a bottleneck in the movement of grain to terminal facilities and on to ships for export, this would be due to a) inefficiencies of one kind or another on the part of the railways in marshalling rolling stock and so on, and b) due to labour-management breakdowns because of labour unrest, strikes and so on. If this is so, would your organization advocate the establishment of special machinery for the settlement of industrial disputes in so far as they pertain to the movement of grain for export purposes?

Mr. BROWN: Offhand, I do not think that I can say our company has set a matter of policy on this point. I think I can say that the Canadian Federation of Agriculture, of which we are a member, does support the idea of a labour court. There are times when resolutions do come up on the floor of our meeting, some of which are pretty strongly worded; they even talk about compulsory arbitration. I do not recall that one has ever passed our delegate body on compulsory arbitration.

Let me put it this way. The general view of the farmers who make up our membership and come to our annual meeting to the tune of about 330 registered delegates, elected by local groups, is that he is being done in by labour unrest. It is not of his making; he has not had any part in creating it. So he gets concerned, and he says: What can be done? Should the grain business be fully a work for the good of Canada. Grain elevators are declared to be works for the good of Canada. This is how the dominion government has control over them. In those terms, then, the farmer begins to wonder should the government of Canada take a pretty strong hand in seeing to it that the farmer is not prejudiced by labour unrest.

Mr. SCHREYER: Mr. Brown, I realize that labour management relations may not be your specialty but I suspect you are pretty intimately aware of its workings. I am prompted to ask this question: Would you not agree that before we proceed seriously toward the establishment of special machinery such as possibly labour courts, would it not be desirable or advisable to consider legislation which would require labour and management in this respect to conduct negotiations on a more continuing basis. I have been led to believe that negotiation in the collective bargaining process between the stevedoring company and the dock workers, in some instances in the past, has not been carried out in a serious manner for long periods. Then, when there is the imminence of crisis, of course, they meet almost continuously around the clock. Do you not think it might be desirable to consider legislation which would require meaningful serious negotiation months before the end of a contract.

Mr. BROWN: I suppose indirectly this may be said to have something to do with the Canadian Wheat Board and the Board of Grain Commissioners, but it is

getting a little out on a limb, as far as I am concerned. I suppose the day may come when we will have legislation which will specify that certain things be done, but that legislation will be only as good as the willingness of labour and management to obey the law that exists. There is something less than willingness to do that at the present time.

The CHAIRMAN: Mr. Ricard, did you have a question?

Mr. RICARD: Mr. Brown, a while ago you mentioned that about 15 years ago there was an offer of money and personnel made to eastern Canada, to organize an agency for the provision of grain for eastern Canada. Would you care to mention to whom this offer was made and the reason that it was refused?

Mr. BROWN: I do not know why it was refused. I would not undertake to answer that. The offer was made within the confines of the Canadian Federation of Agriculture, which established a feed grains committee that operated for quite a number of years. On that feed grains committee, although I was not a regular member, occasionally I sat as an ad hoc member, and we used to have all kinds of complaints coming from eastern Canada. I remember one time a particular complaint came up that the grain coming down from western Canada was extremely dirty and a sample was brought to prove how dirty it was. I looked at it and I said: Where did the kernel of corn come from? You can draw your own conclusions; the kernel of corn was not grown in western Canada. Where the dirt came from, I would not know, but that dirt did not represent a sample of grain shipped from Western Canada. The refuse in it indicated that.

Mr. RICARD: That is very interesting. Thank you.

The CHAIRMAN: Did they not grow corn in Manitoba 15 years ago?

Mr. BROWN: Yes, but it was frozen out and I do not think the corn was ever sold on the market.

Mr. OLSON: Mr. Brown, I have a few questions and I will try to be as brief as I can. Perhaps you can answer them briefly too. First of all, you said you exchanged some elevators with other elevator companies. Did this result in your being the sole grain company at a number of delivery points?

Mr. BROWN: In some cases yes and in other cases no.

Mr. OLSON: How many single delivery points do you have now out of these 591 places where you operate?

Mr. BROWN: Oh, I could not answer that offhand. I would have to look that up.

Mr. OLSON: Approximately?

Mr. BROWN: Oh, there might be 60 to 75.

Mr. OLSON: Do you find that the quotas rise faster at delivery points where there is more than one elevator company generally?

Mr. BROWN: That is a question which is very hard to answer because the pattern of quota increases is something which, I suppose, causes more headaches than any other single thing.

Mr. OLSON: Right, I agree.

Mr. BROWN: I do not think I could answer that question.

Mr. OLSON: Does your company have a tendency to allocate shipping orders to your elevators to assist in their competitive position where there are other competitors at a shipping point?

Mr. BROWN: I suppose it could happen, but I think the great majority of the elevator companies are much more concerned with the total volume of grain that is moving out of the country—the total marketing operation. Naturally, there is a competitive factor, but I do not think we are so completely narrow-minded and self-seeking that we are not prepared, on occasion, to go along with something that is required by the Canadian Wheat Board. After all, they are the people who allocate the shipping orders and they want certain kinds of grain to fill their commitments.

Mr. OLSON: Mr. McNamara told us last night that they give these shipping orders to the elevator companies on a regional basis and it is you people who send them out to your individual shipping points.

Mr. BROWN: Within certain limits.

Mr. OLSON: Within regions?

Mr. BROWN: Yes. We get a certain total of cars allocated but we also have to draw the grain that they want for their commitments.

Mr. OLSON: The point I am trying to get at is whether or not you starve some of these single shipping points where you have a monopoly, as far as the producers in that area are concerned, in favour of giving shipping orders to some of your elevator companies where there is a competitive factor from other companies involved?

Mr. BROWN: I would say no because, remember, we are owned by 50,000 farmers and if we starve them at one point we will darn well hear about it.

Mr. OLSON: All right, fine, you said you do not. If that is your opinion I accept it. Thank you, Mr. Brown.

The CHAIRMAN: This finalizes the questioning of Mr. Brown. I want to thank members. I do not think we are going to be able to do any more than hear the next report before adjournment at six o'clock. I want to thank you very much, Mr. Brown. You have been very frank and we appreciate that very much.

We will immediately proceed with Mr. Leach, Chairman of the Executive Committee of the North West Line Elevator Association. Mr. Leach has agreed to shorten his presentation because, as he said, the previous witness has covered a lot of the same topics as are in his brief. I would ask Mr. Leach, before he proceeds, to introduce the people he has with him and then proceed from there.

Mr. A. S. LEACH (*Chairman, Executive Committee, North West Line Elevator Association*): Thank you very much, Mr. Chairman. Starting on my extreme left, I would like to introduce Mr. Purves, President of the Inter Ocean Grain Company Limited. Next to him is Mr. Sellers, who is President, Federal Grain Company Limited and its subsidiary and allied companies, Alberta Pacific,

Searle Grain and Pacific Elevators. Mr. MacDonald, immediately beside me, is the Vice President and General Manager of Pioneer Grain Company Limited, which company is owned by the long-established firm of James Richardson and Sons. My name is Leach and I am the Chairman of our association. I have been long associated with the Searle Grain Company, which was recently merged with the Federal Grain Company. I might say gentlemen, it is rather interesting that Mr. Purves is second generation in the grain business. Mr. Sellers is fourth generation in the grain business in western Canada, and I happen to be third generation in the grain business. Mr. MacDonald has been long in the grain business, having started—as a country grain operator and working up to his present very official position.

We, of course, are delighted you have seen fit to come west.

(Translation)

I will now say a few words to these members from Eastern Canada here for the first time. We trust that you had an enjoyable trip and that you saw something that was interesting while you were here. Perhaps you noted that we have here in Western Canada, two suns, we have one sun in the sky, that is for the wheat, and we have another sun which is in our heart, and it is with the sun in our heart that we welcome you.

(English)

The CHAIRMAN: They realize now there is only one Canada.

Mr. LEACH: I will leave out a little of the background and begin at the middle of the second page. The number of country elevators which we operate as an association is 2,234, and that is slightly less than one-half of the entire grain industry, say, 45 per cent, if you want to have a round figure, which comes within the purview of this association. The association's independent private companies own 14 terminal grain elevators at the Lakehead and Vancouver, with a storage capacity of some 50 million bushels, and the insured value of their properties is $230 million.

Skipping to the bottom of page 3: It has at times been suggested that there have been no significant changes in elevator construction. Then we go on through that paragraph which, perhaps, at your leisure you might read, to trace how, in the original instance, the grain business in western Canada was served by the old flat country warehouse, we have gone through quite a period of development now so that we are now building elevators anywhere from 65,000 bushel capacity to 140,000 bushel capacity ranging from $93,000 to a cost of $180,000. I think that you will find in the paragraphs I went over so very quickly that the history and figures of size and cost deny any allegation that our country elevator industry has not kept pace with the times. If I might just interject one out-of-script comment which bears on some of the very interesting questions which were so ably handled by Mr. Brown, we have still not found a better means of moving grain than by gravity.

Following World War II, new conditions confronted all the elevator companies. With the advent of chemicals, weed and insect killers and with the development of rust resistant grains and grains also resistant to other plant

diseases, with the increase of technology on the part of the farmer and with farmers being able to use fertilizers more freely because of the higher prices for grain, there was a great increase in the amount of grain that was produced and marketed. Also, there was a great increase in the responsibilities that came on all the elevator companies, both our sector of the trade and those of our competitors, to service these farmers. Hence, many of the new elevators being build today are being built as service centres. I think probably two-thirds to three-quarters of the new ones going up are really large service centres, where it is not just a mere matter of taking in grain and putting it into a box car but facilities are provided for complete agronomist advice, fertilizer, chemicals, many different items that are required on the farm, and these are provided for sale and are serviced. This has been a change that has come very definitely into our industry. It started after the war and the last five years have seen a very dramatic change in it.

As Mr. Brown said, all this costs money. To the extent of our financial resources, the companies engage in replacing old and obsolete country elevator plants with modern elevators having greater capacity. However, this has still not been sufficient to meet the conditions we are going to see ahead of us in the future. I believe Mr. Brown mentioned rail line abandonment. There were some questions from the floor concerning this. All of us are going to be faced with rail line abandonment. This does not mean the volume of grain produced dries up. There will still be the same amount of bushels of grain to be handled, but there will not be the same amount of storage space available to meet the surges that come along; hence, even though every bushel of storage space and every plant may not be replaced, even if it is done on a 50 per cent basis, there is going to be a terriffic strain and a drain on capital to engage in this upgrading that we see ahead of us.

Thus, I and my colleagues join with Mr. Brown in saying the financial return that is allowed elevator companies must be sufficient to maintain a first-class grain handling system. It is wonderful for the farmers to grow all this grain. It is excellent for the sellers of the grain to be able to market it abroad, but there must be a system that will develop with the increasing volume to come in order to handle it efficiently and get it to market.

Mr. Brown pointed out, and I reiterate it, that many millions of dollars have already been spent in renovating and repairing country and terminal elevators. We have replaced obsolete plants with modern elevators. Our member companies are currently investing more than current depreciation and earnings from elevator operations in renovations and building of new plants, to try to maintain the system at its peak efficiency.

I am at the top of page 8 now. We go on from there and state in the next paragraph that if the producers of Western Canada are to be provided with modern grain handling facilities, recognition must be given the fact that authorized tariffs must keep pace with increasing costs. Then we give you, at the bottom of page 8, the statistical data on how our costs have increased and we also indicate, as Mr. Brown did, that our tariffs have not kept pace with that.

At the bottom of page 9 we do show some figures that indicate our per bushel income is deteriorating. We make reference to that and we likewise, again on page 10, refer to the fact that our income tariff rates have not changed for some 30 years.

We point out on page 11 that not one single new company has entered the country or terminal business in western Canada in the past 40 years. The answer is quite obvious; no company could build elevators and survive at present day costs and under existing tariffs. We make that point, gentlemen, because we, who have been in the business for quite a time, sometimes question whether or not it is a healthy industry for western Canada, where we are not making enough of a return to attract new investors.

We wind up saying that the independent investor-owned companies were the pioneers in the development of the country and terminal elevator systems of western Canada. They provided the risk capital required to furnish a necessary service to the Prairie producer. We certainly hope that we are going to be able to continue to do that and to participate in handling our share of the grain business that is voluntarily brought to our elevators by the farmer-producer.

We are confident that ultimately the appropriate authorities will recognize the need for fair and adequate grain handling and storage rates.

In conclusion, we say that while we realize that your committee does not deal directly with the setting of tariffs, we have felt that you should be acquainted with the problem we face in the tariff question. You heard Mr. Brown make reference to different people who have expressed opinions on tariffs and also on the fate of the industry. He brought out very well that these were people who were not actually engaged in it themselves. There are many other aspects of the grain industry with which we have not dealt, but my colleagues and I would be glad to discuss any of these with you. All of which we respectfully submit.

The CHAIRMAN: I see several members putting their hands up for questioning. Mr. Leach has summarized his brief. Do you want to have questions before we adjourn? I thought the committee agreed that we would have Mr. Leach and his associates back again at 8 o'clock and proceed at that time. Mr. Olson and others have indicated they wish to ask questions.

Mr. OLSON: Mr. Chairman, we have a few minutes until six o'clock.

The CHAIRMAN: I am hoping that we can get back here at eight o'clock. We have had a fairly long and tiresome day so far. You would be the first questioner at eight o'clock. If you are here at eight o'clock we will begin. Is this agreed?

Mr. LEFEBVRE: Could we not sit until six o'clock sharp and then resume at eight o'clock?

The CHAIRMAN: Is it agreed that we adjourn now and return sharp at eight o'clock?

Some hon. MEMBERS: Agreed.

(*Translation*)

Mr. CLERMONT: Mr. Chairman, on a point of order, could I please congratulate the persons responsible for this brief submitted in the two official languages in this country?

(*English*)

The CHAIRMAN: We appreciate this very much and I think that they are to be congratulated for doing this. Before we leave the room, is it agreed that the submission of the North-West Line Elevators Association be printed as an appendix.

Some hon. MEMBERS: Agreed.

The CHAIRMAN: We are adjourned until eight o'clock this evening.

EVENING MEETING

FRIDAY, February 10, 1967.

The CHAIRMAN: Gentlemen, we are in session and the first name on my list is that of Mr. Olson.

Mr. OLSON: Thank you, Mr. Chairman. I wonder if you would permit me to say a word or two on a point of order or a question of privilege? I raised this same point a number of times at the various hearings we held in Calgary, Regina and here again in Winnipeg, with a number of the witnesses we have had before us. It is one of the most irritating problems I have as a member of Parliament with the producers. I was pleased to hear Mr. Brown, who was before us a while ago, say that it was also one of the most irritating problems to their organization and also most annoying to the producers. This is the matter of the differences in the quotas at various shipping points. I hope members of the Committee will bear with me on this even though they think it is a small matter in relation to the over-all concept we are trying to get in western Canada of improvements in the movement of grain and the whole grain trade. It is an annoying problem and, in the short range, it is probably one of the things we are going to have to make a recommendation about to the House of Commons in relation to the operations of the Canadian Wheat Board. It may not be included in the long-range recommendations, but certainly under the present conditions it is an annoying matter.

Mr. Leach, I would like to begin by asking you some questions that are similar to the ones I have asked other representatives of the elevator companies. First, do you have points where the companies you represent have, more or less, a monopoly on the deliveries of wheat from the producers in that area?

Mr. LEACH: Yes, but we do not have enough of them, though. Perhaps, Mr. Olson, you are thinking about points where there is just one elevator?

Mr. OLSON: That is right.

Mr. LEACH: Yes, we do. I think all of us do.

Mr. OLSON: I do not want, necessarily, a specific figure, but generally at what is the percentage of the points where your elevators are represented is there this single elevator company situation?

Mr. LEACH: I would be interested in what my colleagues have here. I would throw out a figure of 15 per cent.

Mr. OLSON: About 15 per cent of the points where there is no—

Mr. J. D. MACDONALD (*Vice-President and General Manager, Pioneer Grain Company Limited*): I would say that is substantially correct and I would also say the word "monopoly" is not strictly correct, because at the end of every permit year if the permit holder does not care to deliver to that elevator point he may switch his permit to another elevator point where there is competition.

Mr. OLSON: When I used the word "monopoly" it simply meant that when that permit is set up—authorized or whatever you want to call it; accepted by the Canadian Wheat Board—that producer has no alternative shipping point to deliver to, has he?

Mr. MACDONALD: Not for that season.

Mr. OLSON: So, he is more or less in a captive position for that selling season.

Now, we have heard conflicting evidence of how these quotas are arrived at and how they move from the initial units to the one bushel and two, three and so on up the line. For the benefit of the members of the Committee, what I have heard from the Vice-President of the Canadian Pacific Railway, from the Chairman of the Canadian Wheat Board and from the witnesses who have appeared on behalf of the elevator companies regarding the exact procedure in opening these quotas, well, to put it very bluntly, you cannot reconcile them. For example, the Vice-President of the CPR told me—and I asked him three times to make sure that I understood him correctly—that the Canadian Wheat Board set these quotas in advance. They give them the figures that have been set for these shipping points, and then they move box cars in on this basis.

When I talked to the Chairman of the Canadian Wheat Board yesterday he told me that they opened quotas on the basis of having about 50 per cent storage space available for the amount they could expect by opening the quota. Therefore, these things just cannot be reconciled. Then, when I spoke to Mr. Brown, he said there is absolutely no discrimination in the allocation of shipping orders between the points where they have a monopoly—I just use that as a convenient word; it may not be, but certainly it is a monopoly for that shipping year—and points where there is an alternative shipping company. I would like to ask you, Mr. Leach, from your position in the grain trade, how do you go about allocating these shipping orders?

Mr. LEACH: Well, Mr. Olson, I would be interested in what Mr. MacDonald might have to say but I can say simply that as far as Federal and Searle are concerned we have always felt that we have to give these single house points, as we call them, a very great preference because if we are so unwise as to try to take advantage of the producer in any one year and he does not receive proper service either from our elevator agent or from the manner of shipping orders, then he will go to another point right near to him. Mr. MacDonald what do you say to that?

Mr. MACDONALD: That is absolutely correct.

Mr. OLSON: In your experience have you noticed whether, at the shipping-points at which there are a number of elevator companies, the quotas go up faster there or at single points?

Mr. LEACH: Mr. Sellers, would you care to comment?

Mr. George H. SELLERS (*President, Federal Grain Limited, Alberta Pacific Grain Ltd., Searle Grain Company Limited and Pacific Elevators Limited*): Each shipping year is different, but on the average this year we have had less then 60 per cent of our capacity employed and we have had very few points where we could not, all the time, have had far more grain to receive than we could possibly take. I think the wheat board would have liked to have grain come in faster than it did. We would have liked to have that happen too.

Mr. OLSON: Did your elevator agents make a recommendation to the wheat board in connection with these points to increase the quota, and was it acted on or was it rejected?

Mr. SELLERS: We have always acted on—

Mr. OLSON: I am talking about the wheat board, because they actually raise the quota.

Mr. SELLERS: When we have space in western Canada and space for the wheat board to have a backfill for moving grain quickly to delivery points to foreign markets, we feel it is better that the grain be in the elevator so it can be shipped. We lay all this year with the biggest crop in Canada's history with a lower amount in all of our elevators than we would have liked to have seen. This comes back to the producers.

Mr. OLSON: Are you saying, then, that with a lower amount in your elevators than you would have liked to have seen, this is because the quota was not opened enough so that the producers who wanted to deliver were prevented from delivering?

Mr. SELLERS: This, I guess, becomes a complicated point.

Mr. MACDONALD: Who knows what producers want to deliver? One can open a quota but no one knows whether the producer cares to deliver or not. He is given the opportunity to deliver and that us what the opening of a quota means—just that.

Mr. OLSON: Are you suggesting to me, Mr. MacDonald, that it is widespread practice over the prairies to have a sufficiently large quota open and space available in the elevators, but the producers do not bring it in?

Mr. MACDONALD: It is the producer's choice whether he delivers or not.

Mr. OLSON: My understanding of this whole situation is that the producers at almost all of these shipping points bring in all the quota will allow them at any given time.

Mr. R. P. PURVES (*President, Inter-Ocean Grain Company Limited*): Mr. Chairman and Mr. Olson, I would like to comment on the original question, if I may, for a moment. In our particular company we do not have any elevators that are at single delivery points. But I really feel this particular question should be directed primarily to the Canadian Wheat Board—

Mr. OLSON: I am going to ask them more about that later.

Mr. PURVES: —because they are the ones who have the authority to direct which elevators shall ship grain. Now, in some cases we receive orders from the wheat board to ship X number of cars from, perhaps, all of our elevators or all of our elevators within one province, or all of our elevators on a certain list of stations, and we have the right within that limit to place orders where we want to. But, every once in a while, the wheat board exercise their prerogative and they specify how many orders shall be placed at specific points. It is their right—and they do this quite frequently—to specify that X number of orders will be placed at a certain elevator, or you may not place any more than a certain number of orders at a certain number of elevators, with the sole objective of evening out the delivery quotas.

Mr. OLSON: Under what conditions do they give those specific orders at specific points?

Mr. PURVES: I understand the Canadian Wheat Board has a very efficient computer and into this goes the amount of grain that is in store in every elevator in western Canada; the amount of space that is available in every elevator in western Canada; they know the number of specified acres for each individual point and they know how much grain has been delivered on that particular quota. They are the ones who are in a position to specify when a certain point should receive orders to ship out the grain. These specific orders come through—not infrequently would be, perhaps, the best way to put it—with the specific objective by the Canadian Wheat Board of equalizing quotas.

Mr. OLSON: Is this only under conditions where certain points are congested and have a quota substantially below the other shipping points in the areas?

Mr. PURVES: Mr. Olson, the question of equalizing quotas is entirely within the prerogative of the Canadian Wheat Board and not within the area of administration or control of the private operators in the grain trade.

Mr. OLSON: I fully understand that.

Mr. PURVES: The wheat board claim, under certain conditions, that it is their grain and they will specify when it is to be shipped and we do what we are told.

Mr. OLSON: I fully understand that, but I am interested in what happens in practice. My observation is—and I have a file full of letters to prove it—that there are points which appear to be in the same region with the same kind of grain at the same time where there can be a difference; for example, one point being on units and another point, a few miles down the road, being on four bushels an acre. I am trying to bell the cat, but I cannot find anybody who wants to be the cat in the matter of who decides when these quotas are to be opened.

Mr. PURVES: I am afraid, sir, that you are talking to people who are subject to very close wheat board regulations. We do what we are told, and if you are looking for a cat to bell, perhaps you had better look elsewhere.

Mr. OLSON: Mr. Leach, may I then ask you how you get railway cars into your elevators? How, from your vantage point, do they get there? Who orders them in?

Mr. LEACH: Generally speaking, we are advised by the Canadian Wheat Board that they wish to have a movement of a certain number of cars of grain that have been allocated to our company and they ask us to indicate the locations

from which we would like to ship. We indicate that to them and then sometimes they come back and specify the stations, or somestimes they say: You will ship X number of cars from the stations that were on your list.

Mr. OLSON: You can allocate these shipping orders, I understand that. But how do you get the cars there to accommodate these shipping orders?

Mr. LEACH: We go after the railways. We send the order out to our country agent and he, in turn, places the order. We follow up from Winnipeg or Calgary and say that we want cars in that particular place. In due course, through the hierarchy of the railway, cars either arrive or they do not arrive.

Mr. OLSON: Who in the railway decides as far as you are concerned?

Mr. LEACH: That we have never been able to find out.

Mr. OLSON: Well, is it the despatcher or is there a co-ordinating committee? Does somebody look at these shipping orders and at the guidance sent by the wheat board, or who does it? I cannot find out who makes this decision.

Mr. LEACH: Sometimes, Mr. Olson, we have a great deal of difficulty in finding out, too.

Mr. OLSON: Then, as far as you are concerned, you are not satisfied that there is any really comprehensive way of distributing these cars in so far as equalizing quotas is concerned?

Mr. LEACH: Oh, I do not know whether I would agree with that completely. I think, in theory, the system works.

Mr. OLSON: Pardon me?

Mr. LEACH: I said, I think basically the system works.

Mr. OLSON: Well, for your information a farmer sitting on a one bushel quota who sees his neighbour on a four bushel quota does not think it works.

Mr. LEACH: I can well understand that. I do not think that would be at one of the single house points that our particular section of the trade represents. You used the word "monopoly" and we took it, perhaps, as not being completely correct—

Mr. OLSON: Call it a single delivery point.

Mr. LEACH: A single delivery point, yes. In our section of the trade, if we have a single delivery point we are really going to work our heads off to keep our customers at that particular point satisfied, because we have them and if we do not keep them satisfied we may not have them 12 months later.

Mr. OLSON: Have you experienced difficulties on a significant scale with people changing delivery points, although it may cause them to haul their grain a substantial extra number of miles?

Mr. Leach: We will go down the panel, here. I will start off by saying, no; I think they are very good. Mr. MacDonald, what about you?

Mr. MACDONALD: I think that would be correct.

Mr. SELLERS: I feel we have a strong case any time we have customers that communicate with us. We are competitive. We rarely find we cannot do something about getting equal fairness of treatment.

Mr. PURVES: Mr. Olson, as I said before, I am not in a position to speak for those who are on a single delivery point because we are not in that position. But, I will say this: Wherever we have a congested elevator and our particular customers express a desire to deliver, we certainly do everything we can from writing letters to the chief commissioner of the wheat board to writing letters to the president of the railway to see what we can do to move some grain out and make space to keep our customers. I would like to assure you here and now that there is not a more competitive business in Canada than the country elevator business in the west.

Mr. OLSON: I can tell you, too. If I may tell the panel, Mr. Chairman, I know when I make complaints, having received letters, to the Canadian Wheat Board, to the railways and to the grain trade that something happens. If there is a point that is way below other points in the area, suddenly the cars move in. But I do not know why. I do not know who makes the decision. Is it fair to conclude from what you said, Mr Leach, that you do not know who makes this decision in the railways either?

Mr. LEACH: That could be right, Mr. Olson, but I would like to know your telephone number. I sure would like to have some help from you.

Mr. OLSON: Well, Mr. Chairman, I do not know why this happens and yet, year after year, in southern Alberta—Mr. McNamara has admitted it and so has the Alberta Wheat Pool and other people who are involved in the grain trade there—we are on the short end of the stick year after year because of some excuse such as, they have to move to the lakehead, and so on. I am not dismissing that. I accept that as a valid argument under certain conditions. But, what I am deeply and vitally concerned about, and so are the people I represent, is that even when they do open the quotas in February, March and April when their shipping concentration is to the west coast, there still is not an equialization of the opening of these quotas at these points in spite of the fact they appear to have essentially the same kind of grain.

What I am trying to get at, when we make these recommendations, is who makes the decision where these cars are going to be spotted? If you do not know, well, that is fine, I will accept that. But I am going to keep probing until I find out who does make the decision and whether the responsibility has been transferred to some despatcher, or someone else in the railway company, to assign these cars. There must be space before there is an increase in the quota. Surely you people who are so intimately involved in the grain trade, must have some knowledge of where these decisions are made.

Mr. MACDONALD: Mr. Olson, did you ask Mr. McNamara this question?

Mr. OLSON: Yes, sir.

Mr. MACDONALD: What did he say?

Mr. OLSON: He said: We receive recommendations from the local agents indicating how much space they have and if there is 50 per cent space we will open the quota to the extent of the anticipated amount that will come in on the amount we open the quota.

Mr. MACDONALD: Right.

Mr. OLSON: When I talked to Mr. Fraine—J. N. Fraine, I believe it is, the Vice President of the CPR—he said that they get the quotas in advance from the Canadian Wheat Board. Now, these two statements cannot be reconciled.

Mr. MACDONALD: It could be a day in advance.

Mr. OLSON: No, he said in advance of the season.

Mr. MACDONALD: I do not think that at all.

Mr. OLSON: Well, Mr. Chairman, I am going to pass. I thank you very much for the information I got from you. I am going to pursue this with the Canadian Wheat Board, because I understand they ultimately and finally have the decision to make. I am just wondering whether or not the wheat board have control of opening the quota if they do not have any control over where it is going to be shipped, unless they exercise it as a last resort because of a congested area. This is not very fair to people who are suffering under 25 per cent of what someone down the road has.

Mr. PURVES: Mr. Chairman, may I just answer Mr. Olson's last remark and say it was not much more than three or four weeks ago that we got a circular from the Canadian Wheat Board specifying the number of cars required at specific points in order to equalize cars, with specific instructions that orders were to be placed there. Now, this type of instruction, coming from the wheat board, can be designed only to equalize quotas and do exactly what you are trying to find out. The final authority specifically to say which cars shall be placed at which elevator for shipment rests with the wheat board.

Mr. OLSON: Excuse me; do you mean to tell me that the wheat board do, in fact, have the authority to instruct the railways to spot cars at certain points? They denied this every time I have asked them about it.

Mr. PURVES: Mr. McNamara is not here, but from what I understand from members of the wheat board, that is so.

Mr. OLSON: Then you are just as confused as I am. I have a final question, Mr. Chairman. It is my understanding that most country elevator agents have a surplus of shipping orders all the time in relation to the cars they can get. Is this true? They have more shipping orders than they have cars to ship in, whether you want to call it surplus or anything else.

Mr. PURVES: Orders are sent in advance of cars being spotted.

Mr. OLSON: I am told that some of these country elevators have as many as 20 or 30 shipping orders at a given time and there is not one per cent of hope they could have that number of cars within the next 30 days. Is that a practical fact?

Mr. LEACH: Who knows?

Mr. OLSON: Well, who knows? The point I am trying to make is really that there is never any shortage of shipping orders at these country points, is there?

Mr. MACDONALD: There have been many times when there were. In periods of congestion there are. When the terminals are congested where are you going to ship grain?

Mr. OLSON: Throughout the last two seasons when the terminals have not been congested there never has been any problem about shipping orders in the hands of the local agents, has there?

Mr. PURVES: No.

Mr. OLSON: Thank you, Mr. Chairman, I have already taken up too much time.

Mr. LEACH: I do not wish to belabour this issue, but I do not want to close on this particular note, Mr. Olson. Occasionally there are times when some of us feel that we have not got as many shipping orders as we would like to have.

Mr. OLSON: I will accept that.

(*Translation*)

Mr. CLERMONT: Mr. Chairman, Mr. Leach—his brief is submitted by a group of owners of elevators, local elevators and terminal elevators, but there must be points where you are in competition one with the other?

(*English*)

Mr. LEACH: Yes, you are quite correct, Mr. Clermont. While we may be a happy group sitting up here, tomorrow morning when we get in competition with each other we will be a very competitive group. We are a group of individually owned companies and we carry on very keen competition.

(*Translation*)

Mr. CLERMONT: On page 8 of the French version of your memorandum, you speak of the 315 percent income increase in country elevators, what is this salary, what is the percentage of salaries in total expenditures, in round figures?

(*English*)

The CHAIRMAN: Do you mean for the staff?

Mr. CLERMONT: Yes. Out of 100 per cent total expenditure, what will wages represent? Will it be 5 or 10 per cent of that?

Mr. LEACH: Subject to correction, I would say our country elevator agents' wages, possibly represent 50 per cent of our operating expense at the country.

(*Translation*)

Mr. CLERMONT: This percentage of 50 per cent you mentioned, is this the present percentage and if so, what was the percentage five years ago, was it in the same proportion five years ago?

(*English*)

Mr. LEACH: I think it would have been in the same proportion. We have had a commensurate increase in our municipal taxes; cost of repairs and cost of various incidental expenses. If I was correct in saying that our elevator agents wages was 50 per cent of our cost, I think that ratio has been the same over a period of years.

(*Translation*)

Mr. CLERMONT: Would the percentage be the same in terminal elevators?

(*English*)

Mr. LEACH: No, actually I think in terminal elevators where we have a greater percentage of labour cost—that is, salaries to men—with reference, perhaps, to our taxes and our original investments, the increases salary-wise have been proportionately greater than 50 per cent. I think that is what you have in mind.

(*Translation*)

Mr. CLERMONT: On page 9 of your brief, French version, you mention for the financial year 1964-65 and 1966 that your companies got some country and terminal elevator operations $11,682,000. and in the same years that you spent $12,110,000. for capital expenditures. But the $11 million only represents revenues for elevators. What are the other revenues from your companies?

(*English*)

Mr. LEACH: Well, the $11,682,000 represented straight grain revenues from running either a country and/or a terminal elevator. We did embark into the fertilizer business and, at the current moment if we can collect our debts, we hope we will make a little additional revenue from that. Some of the companies have ambarked into seed operations or other ancillary enterprises which are, basically, additional revenue but not particularly substantial. But, I think the point you were making is that the $11,682,000 originates basically from grain. Actually that revenue was not true revenue; it was even less than revenue, because we had revenue plus depreciation amounting to $11,682,000, and in order to update and upgrade our facilities we put out $12,110,000.

(*Translation*)

Mr. CLERMONT: Your other activities that you mentioned, such as the sale of fertilizers, etc., are these business activities through terminal or country elevators?

(*English*)

Mr. LEACH: Basically these are through the country elevator and they tie in with the remarks I made earlier about the changing pattern of what we are doing out in the country elevator, where it is necessary to become a service centre and offer a complete range of services to our country customers.

(*Translation*)

Mr. CLERMONT: Your capital expenditures, $12,110,000, were these capital expenditures for new elevators and modernized equipment?

(*English*)

Mr. LEACH: I would say there again, just in a straight round figure, about 50 per cent were for new country elevators that were being built in the west to keep pace with the changing pattern. I referred earlier to the fact it was necessary to do this. The other 50 per cent probably was on a modernization of our terminal elevators at Vancouver and the Lakehead.

(*Translation*)

Mr. CLERMONT: My last question, Sir, is the following. Page 11 of this brief, you say that not a single new company has gone into the elevator industry—either country or terminal elevators over the course of the last forty years. Do you mean share capital companies?

(*English*)

Mr. LEACH: Any company, no company.

(*Translation*)

Mr. CLERMONT: No companies. Do you include co-operative in that, and the pools?

(*English*)

Mr. LEACH: I have to do some arithmetic now. No, all the pools were in business 40 years ago, but no companies.

(*Translation*)

Mr. CLERMONT: Thank you, Sir.

(*English*)

Mr. LEFEBVRE: Thank you, Mr. Chairman, I will not be very long. I just want to get Mr. Leach's opinion on a question I have asked previous witnesses. Do you believe, sir, that the life span of the country elevator is good for a long time to come, or do you see in the future a gradual phasing out of this part of the business and a change to regional elevators?

Mr. LEACH: I think, Mr. Lefebvre, it was either you or one of the members of the Committee who made reference to a study produced earlier by some engineers in which they suggested 75 elevators could take care of the entire needs of western Canada. Perhaps if we were beginning right from the start, and somebody had $50 million to build up an elevator system in western Canada, that particular aspect might be very good. But the facts of life for that aspect are there are still quite a number of elevators around that are not just going to go out of business because somebody has decided they are going to build up a whole new system. Consequently, those elevators that are left, which have 5 or 10 years life left in them and are giving the farmer the opportunity to haul his grain on a 10-mile haul or a 5-mile haul instead of a 50-mile haul, are still going to perform a useful function. I think we are all working towards what you had in mind; namely, the large elevator at the large regional centre, as you described it, is unquestionably the direction in which we are going. But I do not think it will happen overnight. I would like Mr. Purves to comment, because his company has done some remarkable things in that particular field.

Mr. PURVES: Mr. Chairman and Mr. Lefebvre, I would like to say that in theory perhaps this is a very logical conclusion to our present dilemma, but in practice it would require a great deal of technological development. We heard this morning the Hon. Harry Enns talking about the remote possibility of submarines and this type of thing making the port of Churchill much more economically viable in the future. If we had a much more extended network of excellent highways; if we had much larger trucks and reduced trucking costs so

you economically could convey grain by truck for 40 or 50 miles, and if our farms were very much larger so that each farmer would, perhaps, want to ship 1200 or 1500 bushels at a time to an elevator, I think we might very well conceive, in the first instance, this type of 75 elevator system.

Now, if you say 75 elevators, perhaps you will need 150 or 300 elevators. But, the principle is the same, in that it is going to involve more trucking, better roads, larger units both at the farms and of the trucks to make this work. Each one of these units is going to be much more expensive to operate than the present elevators as we know them. But I would like to suggest to you that one of the most important disadvantages of such a system, if we can visualize it theoretically, would be the lack of competition. I think the farmer in the west today benefits very, very greatly from the very aggressive competition which takes place between the elevator companies, both the private companies and the co-operatives, to receive the farmer's grain. He has the option at most delivery points of going to at least three, if not more, elevators with almost every load of grain he brings in to obtain the best grade and the best advantage as far as dockage is concerned. If he finds the particular agent to whom he is delivering does not always have space for him when he wants to deliver, he wil go to some other elevator company, and that company is so anxious to handle his grain and keep him as a customer that they will go to very great lengths to make sure space is made available. The farmer receives, to my mind, the very best service he can expect because of this competitive factor. If we are going to go to a theoretical single point, perhaps it would have to be administered by a governmental body. He would be deprived of the drive in the present competitive system which results in service, and I would like to suggest that the person who would lose the most would be the farmer producer.

Mr. LEFEBVRE: Thank you; a very good answer.

Mr. CROSSMAN: Mr. Chairman, during the questioning by Mr. Olson there was a remark that perhaps he was here to bell the cat. Well, I would like to say that I do not think any of the members are here to bell any cats. We are here to get as much information as possible and I hope by getting this information we will be instrumental in eliminating some of the problems pertaining to agriculture. In my case, I am as interested in the agriculture of the prairie provinces as much as I am in any of the agriculture from Halifax or Newfoundland to Vancouver. But one thing that amazes me—and this is my first trip to the western provinces—

The CHAIRMAN: Do you have a question, Mr. Crossman?

Mr. CROSSMAN: Yes, I have. I am working up to it. What amazes me is that in all other forms of industry drastic changes have taken place since the first world war and again since the world war II, and yet grain is still being handled in the way it has been handled since 1918. Has any study or real effort been made to try to modernize the way we handle grain in the elevators?

Mr. LEACH: Mr. Crossman, we in Winnipeg thoroughly enjoy your Buctouche product. Except that we have not found anything better, as I said before dinner, than the law of gravity for handling grain, we feel we have been doing quite a bit of work in attempts to modernize. One company with which I am associated tried building an all-concrete elevator in the country, for instance, a

couple of years ago. Metal elevators have been built. We have materially changed the design. Now we are building higher elevators which are called composite elevators instead of lower elevators with the annexes beside them. We have made considerable change in the matter of transferring grain and cleaning grain inside these country elevators. I do not think we have been decadent at all, except that we just have not beaten Sir Isaac Newton yet.

Mr. CROSSMAN: Would that account for the difference in the construction price of an elevator in the 1920's of $2 million, compared to $22 million today? Is that the same capacity elevator?

Mr. LEACH: That is a terminal elevator and perhaps Mr. Sellers would like to reply to that.

Mr. SELLERS: First of all, going back to the country elevators, the elevators used 20, 30 or 40 years ago were elevators where horses would draw up small loads and we had little gas engines that did the elevation. Now, the cost of electricity in the saving of manpower and for efficiency, and the scales required for large modern trucks have been moving forward step by step. Now in connection with the analogy that you just mentioned—swinging back over to the terminals—I would say the terminals are different, too. This afternoon you heard what the UGG said. They built a terminal they thought was modern in 1928 but it did not have the ability to handle saltwater vessels. Our company has just completed, at the expense this year of something over $3 million, a berth deep enough to carry saltwater vessels with high loading spouts for the fast loading that is required. Also, with no improvement, really, at each elevator that we have—and I think this is true for the pools and everybody else—we had to spend something in excess of $500,000 to make them conform to codes by changing electric motors that would run for another 20 years and were in perfect condition. We had to put a new type of wiring, in our elevators—we have a total of roughly 10—and spend that much money without getting one bit of extra earning power.

I believe the Saskatchewan Pool terminal at the west coast was referred to very briefly. We do not have their figures, but you may have talked to our friend Charlie Gibbons about it. We are told by the press that it cost $22 million on their contract for a some 5 million bushel terminal. This is a very hard thing to justify today, but that is not the same terminal you built for a lower price some years ago. It does have car dumpers; it does have electronic scales; it does have less manpower; it does have dust control and things we did not have before for the safety of people. Things like electronic dust control and the extra safety measures that were not there before cost us millions but do not reflect in any way in our earning power for the very same terminal we happen to have. That is really the answer to that, I guess. That is one of the reasons, apart from general cost. There are a lot more things you have to add to conform to safety codes that we did not have before.

Mr. CROSSMAN: Did you say the $22 million elevator would handle a larger capacity or have a faster operation than the terminal elevator of some years back?

Mr. SELLERS: I think we would be melodramatic to compare $22 million to $2 million, because that was what could be done then. Let us not go back quite that far. The $22 million elevator the Saskatchewan pool will have will be a fast and efficient modern elevator, but it will not be any faster or more efficient than our terminal, the Pacific No. 1, which some of you gentlemen may have seen, and we do actually handle and ship almost 40 per cent of all the grain out of Vancouver. We are the largest shippers out of Vancouver.

Mr. JORGENSON: Mr. Chairman, if I may be permitted, for a moment. I would like to flog the horse that Mr. Olson almost beat to death. I would like to ask Mr. Leach how many types of shipping orders are there?

Mr. LEACH: I will defer to Mr. MacDonald, because he really deals with these in his business.

Mr. MACDONALD: First of all there are wheat board shipping orders. They comprise the bulk of our shipping orders! Then there are shipping orders concerning open market grains. Those are the two rough divisions.

Mr. JORGENSON: Within the orders you receive from the Canadian Wheat Board, how many types are there? There are mill orders, I understand.

Mr. MACDONALD: That is right.

Mr. JORGENSON: How many of that type are there?

Mr. MACDONALD: I suppose the board could create an order any particular time they have orders for urgently required grain that is a grade that is wanted immediately at the terminals and it gets very high preference. There is a type of order for congested elevators. There is an ordinary board order. There are orders for carlots of accepted over quota malting barley. There are specific orders for open market grains. I think that just about covers it Mr. Jorgenson.

Mr. JORGENSON: Is there any particular order in which they are received? Is there any priority? Do you receive one first at the beginning of a crop year, or could they come in any order?

Mr. MACDONALD: Mr. Jorgenson, we know that when an elevator is filled to a certain capacity it automatically goes on a congested order and that is given a specific order number all through the season by the Canadian Wheat Board. Agents may order on that. Then, urgently required grain is designated by the Canadian Wheat Board according to their needs. I remember a case where the order number happens to be 500. If they wish No. 4 Northern, for example, shipped to the lakehead, they put it on order 500 which gives it top priority in the orders.

Mr. JORGENSON: Do you treat these various orders in different ways? For example, if you receive a mill order do you acquire that grain for the mill order in a different area or in a different way than you would, say, for an order for a shipment to the lakehead?

Mr. MACDONALD: I do not think your question is specific enough for me answer it accurately, Mr. Jorgenson.

Mr. JORGENSON: Let me give you an example. Let us suppose an elevator company, one of your competitors, receives a mill order.

Mr. MACDONALD: Yes.

Mr. JORGENSON: That company will decide to fill that mill order from within a 50-mile radius of the particular mill that grain is going to.

Mr. MACDONALD: Not necessarily, because the mill may indicate it prefers that grain to come from a certain station because of various qualities it might have.

Mr. JORGENSON: So, there is no particular way in which orders are received and no particular way in which they are handled?

Mr. MACDONALD: Let me say this, Mr. Jorgenson: At the beginning of the season the board designates the congested elevator orders as I mentioned. Also they designate urgently required grain and then the other orders just come regularly from them.

Mr. JORGENSON: Do you fill any orders by truck rather than by having cars spotted at your elevator?

Mr. MACDONALD: For the occasional small order, very close in, we might.

Mr. JORGENSON: Yes.

Mr. MACDONALD: But, let us say it is negligible.

Mr. JORGENSON: It would not be an appreciable amount?

Mr. MACDONALD: No.

Mr. JORGENSON: I know of instances where there are two competing elevator companies. One elevator company will fill its mill orders from within a radius of the particular mill—provided, of course, the quality is there—whereas the other company will fill its orders in a different fashion. It will spread them equally around the province. So, you will find a situation at this particular delivery point where one elevator company will be complaining because it is not getting enough cars at a particular time of the year when later on in the year, because of the difference in filling orders, the other elevator company will be complaining because it does not get enough but, at the end of the year, the quotas usually even out.

Mr. MACDONALD: Our procedure, Mr. Jorgenson, as soon as we get an order from the Canadian Wheat Board, is to put it out to the country agent. The country agent is instructed to put the car on order with the railway for the fulfilment of that order. The responsibility for spotting the car thereafter rests with the railway according to the Canadian Wheat Board shipping priority of order 500, as I mentioned, or in order for a congested elevator.

Mr. Purves, have you anything to add to that?

Mr. PURVES: I would just like to say that from time to time the wheat board issue a priority on which grain will be shipped. They will specify the grades; it may be wheat, there oats, there barley, then Durum, and so on. They will change these priorities from time to time. In the normal course of events order 500, which is their urgently required grain, comes first; congested orders come second; mill orders and over quota barley orders come below this and then the normal grains they require. But, I think we should make it abundantly clear that

the placing of orders and the distribution of box cars comes specifically within the purview of the Canadian Wheat Board. While they may give companies some latitude from time to time in the placing of orders—they may give you X number of orders and allow you to place them at a specified number of points or at a number of elevators within a specified area—ultimately the Canadian Wheat Board control where the orders will go and very definitely, from time to time, you get specific instructions that orders must be placed at specific points.

Mr. JORGENSON: That is when Mr. Olson has been in contact with the board.

Mr. MACDONALD: I am not quite sure whether Mr. Olson is the man who has the key, but if he is I would like to get to know him much better.

Mr. PETERS: I wanted to ask a question about the problem of bringing some of the other commodities under the operation of the board in the same manner that we have course grains; namely, rapeseed, sunflower, flax and rye. In your opinion, what would be the result of bringing these under the control of the board?

Mr. LEACH: My own answer to that, Mr. Peters, is I feel, as was pointed out in one of the earlier briefs with wheat being an international commodity traded almost between governments, that the wheat board fills the purpose and does a good job. A bit of that, as pointed out in the earlier brief of the United Grain Growers, also extends, perhaps to oats and barley. But, in oats and barley there is an open market which, at the current moment, serves as a bellweather, one might say, for prices, inasmuch as there is a great deal of traffic within Canada itself in oats and barley.

When we get into the lesser commodities, particularly flax and rapeseed, these are very competitively-priced world commodities. Peanuts from Africa, olives from Italy and other items compete with them, and it is my personal opinion that the producer would not be well served if these were to come within the purview of the Canadian Wheat Board. The worldwide marketing system of the compagnies engaged in world commodities is better able to reflect the situations that develop and the demands that develop for these oil seed products, and/or rye than, possibly, the wheat board, with its particular facilities for wheat only, can do at the moment.

I think it is rather interesting that several years ago when rapeseed was beginning to become a very important product for the western Canadian farmers, all of the companies, the pools, the United Grain Growers and the independent companies, gave the producer an opportunity either to go into a company pool or to sell on the open market. It think in the last two or three years of offering them that alternative, we ended up with only about 10 per cent coming in on this company pool basis.

So far as the companies are concerned, we can make our handling margin one way or another. But, from the point of view of the producer, we feel we can reflect a market situation back to the producer better under the circumstances of those commodities, than if they were all under the Canadian Wheat Board.

Mr. PETERS: I gather that most of the pressure to have the oil seeds under the Board's control stems particularly from when the prince of rapeseed jumped

60 cents over a very short period of time, and before very many producers could unload at this price the market was gone again. Could you explain why this happens?

Mr. LEACH: Nobody lost any money.

Mr. PETERS: Well, the producer figured that he was not able to get in on that market which, apparently, was available.

Mr. SELLERS: First of all, the free market faces a very difficult situation in handling rapeseed. I might say I think our company was the first to develop the sale of rapeseed to Japan. I did a great deal on this. Unfortunately, we do not have control of the cars to make delivery of rapeseed to the delivery point, which is in Vancouver. At the present time there is a regulation that no more than 1.5 million bushels—correct me if I am wrong—of rapeseed is allowed in store in Vancouver. So, we could sell rapeseed for future delievery but we could not get the cars. If you cannot get the cars you hold up the free trade on the market and somebody, then, can be in the position of having the rapeseed ready for delivery but unable to get box cars because it is the wheat board who allocate the box cars.

Now, this is a very difficult situation. The reason for the fluctuation in price is not only the market but the fact that there is, at the present time—with, perhaps, an adjustment in free flow and we are expecting a flow through the lakehead in the future—a situation of very limited storage capacity and no control over your cars, and somebody can offer a fictitious price for a very limited period of time for rapeseed on the spot.

Mr. PURVES: Mr. Chairman, might I comment on this specific instance? I will not get into all the technicalities, but perhaps I can tell you briefly what did happen. This was in January, two years ago. Some export commitments were made for rapeseed out of Vancouver. At the time, the Canadian Wheat Board were behind in their shipments of wheat. I understand this was the period of time when up to 25 ships were waiting in Vancouver harbour for wheat. The weather conditions through the mountains were very bad. Trains were being held up by a lot of storms and slides, and so on. A relatively small amount of rapeseed had been sold for export. It was under a quarter of a million bushels and the ships came in for it. The exporters had ordered the boats to come in for the end of January, and in order to cover their commitments they had bought the January futures, expecting to take delivery. As it happened, those who had sold the January futures had not anticipated this tremendous congestion. The wheat board were oversold by, perhaps, ten times as much as the private trade in rapeseed. But they were in no position to give special preferential treatment for the rapeseed. They were already committed for all the grain they could move out there.

In consequence the people who had sold the rapeseed for delivery on the January option were not able to fulfil their commitments and they were forced to go into the market and buy back their option. There was only one way to do it and that was to keep bidding the price up. There was no possibility of getting more rapeseed now, a very very small amount was required to fulfil commitment and before the option went off the board it did advance to 60 cents. It went up 15 cents a day for the last four days of the option month. But really it

did not reflect an increase in the demand for rapeseed. It did not reflect an increase in the basic price. It was a technical situation brought about by the same congestion the wheat board were facing with 25 boards sitting waiting for grain.

The pricing mechanism of the futures market is such that it is reflected on the board of the Winnipeg grain exchange. It is reflected in every newspaper in western Canada, and I think it is only natural that farmers would look at the newspaper and find that rapeseed had advanced 15 cents that day but the price in their local elevator had not advanced. If they could have chartered an airplane, or found some other way to get the rapeseed over the Rockies and into delivery in the Vancouver terminals, I am sure nobody would have been happier than the exporters who had boats sitting there waiting for it. It was a very unusual technical situation, brought on by congestion at the ports, caused basically by the very high wheat shipments and the unusual weather conditions through the mountains.

It was a very unfortunate circumstance. As Mr. Leach said when he started there was no great amount of money made in this. Actually, no amount of money was lost in the sense of farmers not being able to take advantage of this price, because had they been able to take advantage of it a very small amount of grain would have satisfied the demand and the price would not have risen at all. It was a specific technical situation.

Mr. PETERS: This raises two questions. I have never followed the rapeseed market, so I do not know, but is there normally a fairly large spread with rapeseed?

Mr. LEACH: It has been a fairly straight-forward market and, I think, very satisfactory. Many of the people who were instrumental in starting the futures market on rapeseed—I would like to refer specifically to the Alberta Wheat Pool; Mr. Helmer Moen of the Alberta pool was chairman of the rapeseed committee and did a very fine job in setting up the futures market on rapeseed—have developed an alternative delivery point in interior terminals in trying to avoid this particular problem of limitation by the wheat board on the movement through the west coast.

At the present time the grain exchange actually is studying the establishment of a rapeseed market with delivery in Fort William. We believe this particular crop has a great future and with more research on rapeseed meal and oil we could find a much greater use for it in Canada. This would necessitate a movement eastward rather than through the west coast. We think there is a big future in developing external markets in Europe, but of necessity this would have to start through relatively small parcel shipments, and it is not possible to charter small-liner space out of the west coast for European ports. Therefore, this would have to go eastward.

We think the establishment of a pricing mechanism based on an eastward movement of rapeseed, either in conjunction with the present westward basing point or to replace it, would do much to increase the demand and market for rapeseed for western producers. It is something that is undergoing very active study at the present time. As you probably know, the exchange and the private

trade, amongst others, are supporting a rapeseed committee or council that will endeavour to promote and encourage the use of Canadian rapeseed and develop new markets for it.

Mr. PETERS: If the wheat board does not agree or actually assist in this pressure to have it under the board, is there something the board can do in terms of fitting these oil seeds, which appear to be a rapidly increasing product, into their operation? Is there any way the board can influence, through their operation, a change in the transportation policy—after Mr. Olson finds out what that is—to allow a percentage shipment to permit the orderly development of rapeseed and all other seeds on the west coast?

Mr. PURVES: As was pointed out earlier, at the present time they have established a maximum capacity of 1.5 million bushels on the west coast for rapeseed. Perhaps in the light of the total marketings through the west coast this is not an unreasonable limitation. After all, they are responsible for moving very, very large quantities of grain and at times, for one reason or another, there has been a great deal of congestion. We have been delayed on it and they have their problems in moving wheat, also.

Mr. PETERS: Is there a limitation on oats and barley to the west coast?

Mr. LEACH: Oats and barley moving to the west coast are on specific shipping orders of the wheat board and I presume they give orders for shipment out there when there is a known market for them. It is not an open market grain like flax or rapeseed and it moves in accordance with specific wheat board instructions.

Mr. PETERS: Thank you.

Mr. CADIEU (*Meadow Lake*): I have a question, Mr. Chairman, for Mr. Leach. Is the North-West Line Elevator Association prepared to go into some of the new agricultural areas that are being opened in the northern part of the provinces, and some of the areas that have been deprived of and are now hopeful of getting a much needed rail line and give these settlements the same good service they have supplied for so many years to farmers in that part of the country? Or would they want to see these farmers haul their produce from 50 to 100 miles, as some members would like to recommend?

Mr. LEACH: Thank you very much, Mr. Cadieu, for your very kind words on the service we have given in the past. I think I speak for all members of the North-West Line when I say that any time we can find a point where we can establish an elevator that is going to have a profitable handling, why, there will be an elevator going there.

I think I might just make reference to the operation of one company, the National Grain Company. Unfortunately the president, Mr. Heffelfinger is not able to be with us here tonight, so I can speak in glowing terms of a competitor, much as I dislike it. Even away up in the Peace River they have established a very interesting operation where they have a new concept of a large elevator and storage and are really going up into the hinterland.

Now, concerning getting at places where there are no rail lines, at the present moment we need to get a licence from the Board of Grain Commissioners and the point has to be served by a railway. But it has always been their

indication that they are not unreceptive—and they have not been unreceptive in the past—to licensing what you might call interior country terminals where there are no rail lines. Certainly we are prepared to move as quickly as the north moves.

Mr. SELLERS: As we are, in a way, associated, could I answer this for Mr. Leach? We are the proud possessors of the farthest north grain elevator in the world, I think, at High Level. Farmers were forced to haul almost 100 miles from there over to Manning, Alberta. They were complaining because trucking costs were too high. As soon as we built that elevator, naturally the Alberta pool came in and built beside us. Nobody can build north of there because of muskeg, so we will remain no matter what competitor comes in. That location is north of Churchill, believe it or not, gentlemen. We have an elevator north of Churchill at High Level, Alberta. We built that elevator to avoid a hundred-mile haul due to a lot of persuasion. This has something to do with how we consolidate a number of elevators.

Mr. CADIEU (*Meadow Lake*): These people are hopeful of getting a rail line. There are going to be so many lines abandoned farther south that we hope there will be no shortage of steel and we might get this much needed line finished. I think I have possibly one of the only elevators operating in the north where there is no rail line, at Makwa, Saskatchewan. We have quite an area in there where people are hopeful of getting this rail line for which they have waited so many years. I was just wondering if the North-West Line Elevator company were still prepared—not to listen to some of these witnesses who have not had to haul their grain for 5200 miles—to go in and continue the good work you have been doing.

Mr. SELLERS: We had better get on the railways then.

Mr. LEACH: That is right, I think we gave you the message, Mr. Cadieu.

The CHAIRMAN: If there are no more questions, on behalf of the Committee I would like to thank Mr. Leach and the other members of his group for their presentation, and the open and free way they answered Committee members questions.

Mr. LEACH: Thank you, Mr. Chairman.

The CHAIRMAN: Gentlemen, the next witness is Mr. Gil Molgat, the leader of the Liberal Party of Manitoba. I will ask Mr. Molgat to introduce his officials and then go on to the presentation of his brief.

Mr. Gil MOLGAT (*M.L.A. Leader, Liberal Party of Manitoba*): Thank you, Mr. Chairman. I would like to introduce Mr. Rod Clement, M.L.A. from Birtle-Russell constituency and a member of our agricultural committee for the party, and Mr. Ralph Rasmussen who is the chairman of the agricultural committee of the Liberal Party of Manitoba.

Mr. Chairman, I am aware your Committee has had a long week with some long days in it and it is not my intention to read the brief I have page by page. I think all of you have copies of it and I will cover it as best I can by paraphrasing and if you have questions, then I will be very happy to do my best to answer them.

(*Translation*)

For those among you who are not English speaking, I wish to present my apologies because I did not have a French copy of our submission. Unfortunately, we did not have time to have the translation prepared, and I will admit it is not always easy to get someone to translate our texts for us, but I will be delighted to send you a translation later if you wish, and I will be very happy to answer your questions in French if you want to put them in French.

(*English*)

Mr. Chairman, first I would like to say how pleased we are to see your Committee here in the province of Manitoba. I think this type of contact between the federal government and the at large is most important. The opportunity for the members of the House of Commons from all parts of Canada to travel the length and breadth of the country is, I think, very useful to them and I am sure it is most useful to the country at large to see you and have an opportunity to appear before your Committee which, of course, is quite difficult when the Committee meets only in Ottawa.

If I might say something a little outside of agriculture I think, as well, this type of visit is an important item in Canadian unity. I think the very fact that you join together here people from every part of Canada and travel through it is most useful from that end of it if for no other purpose. So, we are happy to see you here in Manitoba.

The CHAIRMAN: We hope you write the Prime Minister a letter telling him that.

Mr. MOLGAT: Well, as a matter of fact, Mr. Chairman, I would be prepared to do that. I would make one suggestion, however. I think perhaps your agenda has been a little overloaded. I think there would be some benefit as you travel through in being able to see some of the other activities apart from purely sitting at meetings like this. I do not know how much opportunity you have had to see some of the things going on in the province from a agricultural standpoint.

The CHAIRMAN: We will be back.

Mr. MOLGAT: You will be back? We will be happy to see you.

Now, Mr. Chairman, you have had many briefs presented to you during the course of your trip. I would assume that most of them told you we are still plagued in western Canadian agriculture with the cost price problem. It is quite true that many farmers earn a relatively good income. But we still have many farmers in the west, particularly in the marginal areas of our province, who are earning less than the minimum wage. We believe, in the Liberal Party of Manitoba, that there are a number of reasons for this condition. Due to higher-paying jobs in industry farm labour is hard to find and it is expensive in relation to the earning ability of Manitoba farms. Secondly, land values have gone up very substantially. This makes it increasingly difficult for farmers to obtain land at reasonable prices or at prices in line with its actual productive capacity.

Now, both the high price of land and the labour shortage have led to a greater use of purchase input to replace labour and land. Unfortunately, while these purchase inputs have increased the volume of farm products per acre and

man, the price that the farmer receives for his product has not kept pace with the cost of these purchase inputs. So today, both small and large farmers find themselves on the same treadmill, but the small farmers particularly are finding circumstances very difficult. They do not have the ready access to capital to proceed with these inputs and they do not have land in large enough quantity to make it a practical economic fact.

Now, we are most anxious to see agriculture continue to share in the tremendous growth of Canada and to take its part in that development, to share and participate in making Canada ever stronger. We think from a long-term standpoint it is important to recognize this contribution of agriculture. We would like to see, in general principles, the following broad principles adopted; that is, that policies to aid submarginal farmers and subsidized types of agriculture should be separate and distinct from those that are designed to increase productivity. We should separate those two problems. One is a social problem. The other is an economic one. The policies formulated to assist non-productive farm units should not hurt the growth and income position of productive units. Policies applied to one part of the country must not put farmers in another part of the country at a disadvantage unless, of course, that disadvantage is inherent in the area or the individual. We would hope these principles are acceptable to your Committee as well.

We believe the ability to produce food in abundance is a wonderful gift that Canadian agriculture possesses. Canada must learn to live with this abundance and to accept it, not as an evil, but as something which is God's bounty. In view of the imminent world population explosion and the fact that even today most people of the world live on subsistence levels of food, it is foolhardy to accept any other long-term concept.

The problems and the cures of agriculture, Mr. Chairman, cannot be covered in the course of a short brief and I do not pretend that the proposals we put forward to you tonight are a cure-all or the answers to all of our problems. I wish to highlight some of the particular areas where we believe action is necessary. First of all, an increase in the initial payments. We ask, Mr. Chairman, that the initial payment a bushel be increased by 25 cents for wheat, 14 cents for barley and 10 cents for oats. We believe this is important to the farmer because it would put cash in his hands when he delivers his product which, by and large—at least the initial deliveries in the fall of the year—would mean that he would have more money available to pay his bills; money to purchase his fertilizer at that time of the year and store it if he so wishes; and money to put him in a position to pay off his debts and cease paying interest.

We believe there is no risk here to the Canadian taxpayer because the spread between the final price and the initial price has been sufficient in past years to allow that increase in the initial payment. I want to emphasize, Mr. Chairman, that we do not believe that an interim payment is the proper answer. We know this has been done in the past but we believe it would be much better for the farmers of the west, and for the businesses with whom they deal, to have an increase in the initial payment, not an interim payment coming in sometime during the course of the year. We recognize, of course, that for this particular crop year, if an increase in the initial payment were to be announced in the very

near future, it would mean those who have delivered already would be entitled to an adjustment for the amount they have delivered. But this would be, of course, for this one period only.

I might add, while we are on the subject of wheat prices, that we are most anxious to see a substantial increase, of course, in the world wheat price when the agreement is renegotiated.

Concerning the Canadian Livestock Feed Board, it is our impression that one of the purposes of this board is to buy grain at the lowest possible prices for eastern feeders. On the other hand, the purpose of the Wheat Board is to obtain the highest possible prices for western wheat producers. We believe there is a possibility of conflict between these two agencies. We hold strongly to the view that at no time should prices be such that they are below the market levels. We want to see the wheat board get the maximum amounts they can for our product.

We believe the feed freight assistance policy is harmful to livestock breeders and growers here in the west. We believe we have an inherent ability to produce cheap feed grains. Yet, part of the reason for the failure of our own livestock industry to develop as quickly and as far as we would like to see it, is the fact that this subsidy is, in fact, creating an artificial situation by encouraging the growth of the livestock industry elsewhere. So, we recommend that this subsidy be removed and let economics make the decision where livestock will be fed in Canada.

The costs of machinery make up about one-half of the total fixed and operating costs of the average western farmer. So we commend the government for its inquiry into this area and we look forward to the recommendations of Professor Barber when they are completed.

In connection with rail line abandonment, we recognize there must be some rationalization of the rail line system. We believe, however, that unless many farmers are going to be placed in an unfair position and there is a partial abandonment of the Crowsnest Pass rates, certain action should be taken by the federal government. We would recommend where a branch line is abandoned that there be a co-operative program between the federal government and the provincial government and possibly the railways as well to provide other connections—not necessarily the identical connection, because very often a cross-connection would be more satisfactory—by means of all-weather hard-surfaced highways, and that this be a joint program.

While the federal farm management program has been accepted as a provincial responsibility, we believe there could be some improvements by a joint federal-provincial program covering at least the three western provinces which have similar problems and similar economics. We believe this is going to be ever more important in successful farm management. So we recommend a joint federal-provincial program which could be carried on by means of a correspondence course. There has been some successful work this year through television courses.

We would suggest as well that the federal government might consider the use of a computer service to be available to farm management groups, as well as to anyone involved in the field of agriculture, so that we could make this new science more useful to agriculture.

I might say in passing that we are fortunate in having at the University of Manitoba the most powerful computer in Canada, met only by one other in the service of the federal government itself in Ottawa. So, we would be in a position to conduct this type of service if it were started.

In the area of rapeseed marketing, Mr. Chairman, we believe that great new fields are open for western Canadian agriculture.

The CHAIRMAN: Mr. Rapp is quite happy. Everybody has mentioned this.

Mr. MOLGAT: You have had enough of it? Perhaps I should refer you to pages 6, 7 and 8 of my brief, Mr. Chairman. Let me simply say that the production of rapeseed in the past year in the west was 20 million bushel. The production of—how much?

Mr. RAPP: Twenty-two million.

Mr. MOLGAT: Twenty-two million? I am sorry; I am 10 per cent out.

The CHAIRMAN: He is an expert on rapeseed.

Mr. MOLGAT: The production of wheat was 844 million bushels. Here is an opportunity, we believe, for diversification. It is true that right now we are selling our wheat. From the representations made today by the wheat board we can look forward to constantly selling it. But we think it would still be of advantage to Canadian agriculture to have some variety. We think here the federal government has a specific job to do. I have outlined in my brief specific areas where we would like to see action.

We suggest research into the types of rapeseed to make them more proper for our climate and bring them up to our needs; research in the meal and then, from the other side, marketing research in so far as the oil is concerned. At the moment very little of the oil is consumed in Canada. There is a little of it ground here in Manitoba and yet, if you go into any of our retail stores, you will find virtually no rapeseed oil for sale. Canadians are not using it. No major producers that I know of at the moment are in the rapeseed oil business. Yet, we are exporting it to other nations. I am told that research has found the oil to be more suitable for many purposes—for frying, and so on. All this is to be researched, marketed and explained to the Canadian people. Here is an opportunity to assist our agriculture in general.

Those, Mr. Chairman, are the specific comments we had to make. I want to thank you very much at this late time of day, late in the week, for the attention of your Committee. I will be happy to answer any questions.

The CHAIRMAN: Thank you, Mr. Molgat. It is a good, short brief. Your narration was fairly complete. I have two members who have signalled they want to ask questions, Mr. Clermont and Mr. Côté.

(Translation)

Mr. CLERMONT: Mr. Chairman and Mr. Molgat, in your brief you said that the farmer must continue to benefit from Canada's economic expansion, and that the farmer is going to be an important factor in continued economic expansion. No doubt when you were speaking of farmers, you were thinking of the eastern as well as the western farmers. I trust you are thinking of—

Mr. MOLGAT: I am thinking of all the farmers, but as Leader of the Liberal Party in Manitoba, my first responsibility is to the farmers in this province.

Mr. CLERMONT: I am a federal member, so I must examine the question from a national viewpoint.

Mr. MOLGAT: Agreed.

Mr. CLERMONT: This is what interests me, Mr. Molgat. Today, we heard several briefs from Manitoba. Amongst others, one from the government of Manitoba submitted by the Honourable Mr. Enns, the Minister of Agriculture, another by the Manitoba Pool, another by the United Grain Growers, and you have presented another one. And they all seem most concerned about the new Eastern Feed Grain Agency. And I wonder why this is. Because in the final analysis, you are not the only one to say it as it appears in the other briefs, the Eastern Feed Grain Agency is a Crown company and the Wheat Board is another Crown agency. And you seem to feel that Eastern Canada and British Columbia are going to have an agency to represent them in the purchasing, the distribution and the storing of wheat and feed grains. And the fact that it is a purchasing agency is going to enable the eastern provinces to benefit from low prices. McNamara said that he was ready to co-operate 100 per cent with this agency, but the agency should not expect to get appreciably lower prices.

Mr. MOLGAT: I believe that Mr. McNamara has submitted what our viewpoint is. May I say that here the Wheat Board is the agency of the farmers, of the western farmers. The Wheat Board is not subsidized in any way whatsoever by the federal government. All the expenditures of the Wheat Board are paid by the farmers themselves. Let us look at the coin from the side. If you have an agency for feed grains, we would recommend that that agency be like the Wheat Board, that it be the farmers who take part in it, who pay their share of the expenditures of the agency.

(*English*)

The CHAIRMAN: It is the responsibility of all farmers.

Mr. CLERMONT: If we want to go into the discussion that Crown companies are subsidized, I could certainly speak to you about the Board of Grain Commissioners. Part of their expenditures are met from the Treasury of the Canadian Government.

Mr. MOLGAT: But when we speak of these two agencies, the sales agency, that one is not subsidized.

Mr. CLERMONT: But sincerely, I think, Mr. Molgat, that the importance of the Canadian Feed Grains Agency is this. The eastern farmer, just like the B.C. farmer, was complaining of the fact that during January, February and March, there was a sudden rise in the price levels, and more often than otherwise, the farmer wondered why this was. And I feel that the main idea was expressed this morning—the main idea setting out the Eastern Feed Grain Agency—by the member for Provencher—I do not remember his name just now; I think it was Mr. Jorgensen. He expressed the view very well. It was that this agency is mainly to see to the proper distribution and to see that there be reasonable price levels throughout the twelve months of the year.

Mr. MOLGAT: I think that your visit here and the discussions that we are having enable the western people to understand much better. That is why I said at the outset that it is essential that you continue these visits out here. The fear of people there is that your agency, your purchasing agency, is going to cut down the net income of the western producer. If it is clearly understood that your agency is only going to be a distribution agency to meet your needs, clearly there will be no price level favours for you.

Mr. CLERMONT: You know, there is no question of imports, because it is the Canadian Wheat Board which controls the import permits. Now, my other question is the following. You recommend, or your party recommends in your brief, that freight rate assistance on feed grains be dropped, and you mention in your brief that the West can produce low freight wheat. I think our farmers in eastern Canada would have no objection whatsoever, or not many objections, if the freight rate assistance were abolished. But, on the other hand, they would want to have your advantages in purchasing the grains without going through the Canadian Wheat Board.

Mr. MOLGAT: I had not thought of it in that way. There might be some difficulties in not going through the Canadian Wheat Board. I do not know how that could be done. I would have to look into the matter. Our viewpoint in this regard, to freight rate assistance, is this: when you go to certain regions in western Canada, you see enormous farms that can certainly produce low-cost wheat. But we have a good many areas, too, which are not as favoured. We have tiny froms, too. Our marginal land farms, and in these areas, the farmers' only chance of making a living is to raise herds. So we are very anxious to see livestock raising increase in the west. And with this assistance for the shipment of feed grains, obviously we feel that we are prejudiced.

Mr. CLERMONT: You are aware that freight rate assistance for feed grains does not benefit merely the livestock breeders. The dairy producers also benefit. The chicken producers also benefit. The poultry producers. And this assistance is most essential to eastern and B.C. breeders.

The CHAIRMAN: Mr. Berger.

Mr. BERGER: Mr. Chairman, I want to thank Mr. Molgat for his very interesting submission. At the outset, there are a few remarks I want to make, even if Mr. Clermont perhaps covered the same field. The question that interested me particularly—I share Mr. Molgat's opinion that it is an excellent idea to visit the province because we become aware of the problems, and we trust this will not be our last visit here. We might perhaps make an annual visit. When the Chairman goes back to Ottawa to-morrow night, perhaps he would put this idea forward. I want to thank you. To come into the field which is under discussion my friend, Mr. Clermont, and myself, are rather upset by the evident concern felt by western representatives up until now, the concern they have expressed about the setting up of the agency to purchase feed grains. Mr. Clermont put the question very clearly. I do not want to take up a lot of time, but I find it difficult to understand this concern in the Prairies in regard to this purchase of feed grain for eastern Canada. It seems to me that there could not possibly be a conflict between the provincial and federal authorities in the purchasing of grain. Could you give me perhaps a better and more detailed idea

of this objection? Mr. Clermont said that when these feed grains are purchased, it is not necessarily for feed for beef herds. It is also for poultry stock and for fairy herds. Is this concern very widespread, then?

(*English*)

Mr. MOLGAT: Thank you, Mr. Berger. It has been brought to my attention that those who are not next to the table do not benefit from the simultaneous translation, so I will answer this one in English if I may?

Mr. BERGER: Please do so.

Mr. MOLGAT: The question, Mr. Berger, is why are we in the west so concerned about the eastern livestock feed grain agency? Well, I think the real concern, Mr. Berger, is that this agency would reduce the prices we get for the products we sell. Now, if it is clearly understood that it will not benefit from any special prices, if this is merely a distribution agency to benefit eastern feeders, if there is no subsidy attached I personaly do not see any major objection to it. I gather from my conversations with a number of you, that there are periods of the year when the prices of feed are very much higher than they should be in your opinion, or there are shortages. If this is a question of more equitable distribution, and if the producers require this and there is no subsidy attached, and there is not going to be a reduction in our prices, then I personally see no major objection to it. But, our concern is that it will, in fact, end up in a political fight—that is, with a buying agency, a Crown corporation on the one side and a selling agency, a Crown corporation on the other—and the grain producers in the west will suffer as a result.

Mr. BERGER: I thank you for this answer and now I am going back to page 2 of your brief, where it states:

> Unfortunately, while purchased inputs have increased the volume of farm products per acre and per man, the price the farmer receives for his produce has not kept pace with the cost of purchased inputs. Both large and small farmers find themselves on the same treadmill—

Do you not think this applies also to eastern farmers? I understand your point of view as far as western farmers are concerned, but do you have the same consideration for eastern farmers as you have for your own people for which I do not blame you, believe me?

Mr. MOLGAT: I would hope we are not taking purely a narrow provincial view in our statements. Certainly, we recognize that the eastern farmer is faced with the same problem. I was stating a question of general principle. I am sure your farmers are suffering in the same way. In many respects I know your farmers are suffering worse from the fact that their acreage is smaller than that of western farmers. I recognize that problem. This is not a parochial question.

Mr. BERGER: Now, when you state on page 4 that:

> Initial payments can be easily raised before the end of the 1966-67 crop year.

How can you make such an easy statement? The government will have to pay for that. When I go back—

Mr. WATSON (*Assiniboia*): No.

Mr. BERGER: Oh, you will pay for that Lawrence. That is all right, I am sorry. Mr. Watson will help me out. Let us skip that.

Mr. WATSON (*Assiniboia*): It is the farmer's money.

Mr. BERGER: Well, yes, I am trying to clear my mind on that.

The CHAIRMAN: I think, Mr. Berger, if you remember the figures given to us the other day in Alberta that the high final payment was 49 cents and the low was 38 for a period, I think, of ten years. Probably this is what these figures are based on. This is the wheat producer's own money. It is nobody else's money but theirs.

Mr. BERGER: Going back to that, Mr. Chairman, may I ask why this is being submitted if we have nothing to do with it and the farmers are going to pay for it? It is in this brief. I am concerned to a certain extent with all the facts being presented. If we have nothing to do with it, if it concerns the wheat board or the farmers themselves, why should we have it here? This is why I ask the question.

Mr. OLSON: The government sets the price.

Mr. BERGER: All right, I am thanking you.

The CHAIRMAN: Mr. Berger, I think Mr. Molgat wants to answer your question.

Mr. BERGER: Yes, I will be delighted.

The CHAIRMAN: If you will just let him.

Mr. MOLGAT: The situation is this: The wheat board sells the wheat and gets the money. The farmer delivers the wheat to the elevator and gets an initial payment, not the full payment. He gets an initial payment which is substantially less than the wheat board gets on its sale. At the end of the year the wheat board, having accumulated all the sales for the year and having established the final price, pays the balance back to the farmer. It is the farmer's own money. There is no government subsidy. I might say that this is one of the problems western farmers react to. They are very unhappy about the situation because every time the final payment comes up the newspaper headlines read: $294 million for the farmers. The impression abroad is that this is a government gift. It is not. It is the farmers' own money. So, what we are asking for, because the price the wheat board has been getting has been quite a lot higher than the initial payment, is that they should now move the initial payment up.

I have here the wheat board's last report—1964-65—the initial payment being $1.50. I will give you the year they have here complete. The initial payment was $1.50 in 1963-64 the final payment was 47.4 cents. So what we are saying is, raise the initial payment to $1.75 and then the final payment will be 23 cents or 22 cents. There is no danger; there is enough margin; the world price is high enough. The farmer will get his money and the businessmen will benefit from it. It does not cost anyone anything except some interest payments, possibly, to the wheat Board. But this is the farmers' own board. Whether the farmer pays interest back home himself on his borrowings or the wheat board does it for him it is his own cost.

Mr. BERGER: Mr. Molgat, how can you tie in the world demand for wheat and the traditional demand for wheat, and how can you ask that the base price be increased? On what projections can one base oneself to be sure that we are going to be able to market our product, and yet, at the same time, justify a basic increase? That is what concerns me.

(*English*)

Mr. MOLGAT: Our specific request is for an increase in the initial payment. The money is there. The room is there. Now, your second question is: Why are we asking for an increase in the world price? We are because we believe the world conditions are such that we can get such an increase. I am fairly confident that this can be accomplished. I think it is important that we, as Canadians, keep on saying this and that it be known across the world so that our negotiators have that spur behind them and they can talk to the people to whom they are selling this in the full knowledge that back home there is pressure upon them to get a higher price.

(*Translation*)

Mr. BERGER: To conclude, I would like to congratulate you on your idea of establishing a computer service—

(*English*)

A computer service to serve all prairie farmers.

I am glad to learn that Manitoba is far ahead of us in that sense.

Now, the last item I checked is this rapeseed marketing. Oh, my friend, the member from Humboldt-Melfort-Tisdale, Mr. Rapp, is gone now. He is an expert on that. Are your remarks based upon scientific research into that?

Mr. MOLGAT: My remarks in so far as rapeseed production is concerned, Mr. Berger—and I emphasize rapeseed production, so as to clarify the problem before us—are not based on any scientific research of my own but as the result of speaking to a number of people in the industry. I think the facts are correct that there is open here a golden opportunity for us, but it does require specific research into both the seed itself and the use of the meal for feed purposes, as well as the final use of the oil product. The problem is that the total market in Canada now is relatively small and it is not in the hands of any large producers who are in a position to take this on as a research project of their own or as a marketing project of their own. Hence, the requirement for some federal activity in that area.

Mr. BERGER: I was trying to get at the idea of producing this and then asking the government and the wheat board to try to sell it. It is all right to have rapeseed, rye and the others but if you can produce wheat and sell it more easily why should we produce the others and ask the government to sell this specific product? This is what puzzled me to a certain extent, but your answers cleared that up quite a bit.

(*English*)

The CHAIRMAN: I thought you said that was your last question. The hour is getting late.

Mr. BERGER: It is, it is, and I must thank you Mr. Chairman, for allowing me to ask it.

(*Translation*)

Mr. BERGER: Thank you, Sir.

The CHAIRMAN: Mr. Côté.

Mr. CÔTÉ: Mr. Chairman, first of all, you will note how wise I have been since the outset of the trip but I do not want this wisdom on my part to be misunderstood and for me to be considered as an inactive member. I want to bring a personal opinion forward, in the form of a question I want to put to Mr. Molgat, the leader of the opposition. It could be for clarification. As representative of our farmers association I have asked all political parties represented in Ottawa for an agency to distribute feed grains. It was not that we intended to pay less to the wheat farmer or feed grains producers in the West, we are in agreement that we should pay a price that will bring a proper income to the Western farmer. We want the Western farmer to live properly. We want to eliminate intermediary agents. Once the St. Lawrence is closed to navigation, there is too much feed grain on hand in the west and yet we cannot get our hands on any. Speculation on feed grains arises. Ours are lands which are used for raising dairy herds. We do not intend to go into livestock breeding. We are interested in dairying. In the West, what you have is specialized wheat and cereals production. This feed grains agency shoud not harm the Western farmer at all but should provide a decent living to the Western farmer and to the Eastern farmer as well. What I have noted throughout my whole trip is this fear amongst the Western farmers and I trust this concern will disappear once the feed grains agency is set up and I want the Committee to go through all of Eastern Canada just as we visited the West so that there will be a better understanding between Western and Eastern farmers and so that we can help each other to each attain the standard of living we want.

I want to congratulate you because going through the West, I have a great deal of difficulty in speaking English and that is the first time that I understood a representative so well.

Mr. MOLGAT: Thank you, sir. What you have explained to us, if it were understood by all Western farmers, I think it would rapidly settle the objections, the concern, that has been felt about this new agency.

Mr. CÔTÉ: Now, I will not make any more comments. We were told this afternoon that 15 years ago, an offer was made to us that we should set up an agency but let us not forget that 15 years ago, we did not have the same industry in the East. It was not the same in the West either. They were little tiny farms on which we could not make a living but on which we did attempt to make a living. But the bigger farm is now the specialized farm in the east. We have the same needs we did 15 years ago. We have needs we did not have 15 years ago. So when the request was made or when the suggestion was offered 15 years ago, this need did not exist, but probably the West recognized that one day we would feel this need. So I will not make any further comments but if this had been understood 15 years ago, it would have been a wise thing.

(*English*)

The CHAIRMAN: Thank you, Mr. Côté. I think if we do visit the east we will make sure that Mr. Molgat goes with us. Mr. Schreyer? Is he there? Either he is under the table or he has gone. Mr. Olson?

Mr. OLSON: Very briefly, Mr. Chairman, I would like to ask a question in connection with Mr. Molgat's statement on page 4 that they do not want the feed board to have the opportunity of buying grain at a lower price than is offered to any other purchaser. I do not think this is going to happen, and I agree with you. But does this also include the fact that you do not want any federal subsidies going into moving this grain such as storage, discounts and so on?

Mr. MOLGAT: Our feeling is that this agency should not be on a different basis from the wheat board, and should have no privileges the wheat board does not have.

Mr. OLSON: You puzzle me, though, and this happened once before today. You say you want the highest possible price in the producers of feed grain, so why do you deplore freight assistance which does, in fact, make a higher price available to feed grain producers in western Canada?

Mr. MOLGAT: Because we are also concerned about the other aspects of agriculture in the west in the livestock business. We are asking for no special subsidy for the livestock business, nor do we want any special subsidy for the feed grain business. We are prepared to have them stand on their own feet.

Mr. OLSON: Yes, but would not the availability of feed grain at a price—I am not talking about a lower price—be the greatest incentive you have for the expansion of the livestock industry in Manitoba?

Mr. MOLGAT: But, the feed grain is here. We are not asking for any subsidy on it nor on the transport of our livestock to market in eastern Canada. We are quite prepared to take our chances on that. The problem we are faced with is that if we raise the cattle or pork here and ship it to an eastern market we are competing there against livestock raised in that area on feed purchased here but subsidized to be transported there.

Mr. OLSON: You are aware, then, that if the freight subsidy were removed, let us say, tomorrow there would immediately be a reduction in the price that the Canadian Wheat Board would ultimately be able to give to the western producers. You are willing to accept the responsibility for that reduction in price?

Mr. MOLGAT: I am not so sure this would, in fact, happen. But if that were the inevitable conclusion I would be prepared to accept that rather than the continuation of a subsidy.

Mr. OLSON: By the way, Mr. Molgat, have you presented these views to your fraternity brothers in Ottawa?

Mr. MOLGAT: As a matter of fact, Mr. Olson, we had a very interesting meeting in Saskatoon last summer where we discussed a number of these views and then proceeded to Ottawa in October where we had a most friendly meeting and had a good number of them accepted.

Mr. OLSON: Did you have concurrence by the caucus in Ottawa?

Mr. MOLGAT: We do not deal directly with the caucus in these matters. We deal with the general party structure and it was accepted by and large by the party.

Mr. OLSON: Then I suppose we can conclude you are asking members of others parties to assist you in reconciling your family problems?

Mr. MOLGAT: I am not aware of any great family problems in our party, Mr. Olson. I am aware that there are some difficulties in others.

The CHAIRMAN: I wonder if Mr. Molgat is aware that he is agreeing with Mr. Enns here today, too.

Mr. OLSON: That was my next question, but I will pass now.

The CHAIRMAN: I would ask Mr. Schreyer, who is back now, to question. I called you and we looked under the table, but you were not there.

Mr. SCHREYER: Mr. Chairman, I hope one can take two minutes to go to the washroom around here, or do you object? Are you calling on me, Mr. Chairman?

The CHAIRMAN: Yes, you intimated you wanted to ask a question.

Mr. SCHREYER: Mr. Molgat, I refer you to page 3 of your brief where the heading "Major Policies" appears. I note that you put forward as major policy No. 1 the increase in initial payments. Of course, most members of the Committee would agree that it is a logical proposition to advance that the initial payment be, in fact, increased by an amount somewhere within the range of the figures you put forward.

The CHAIRMAN: May I interject, Mr. Schreyer? All this has been thoroughly aired in an answer by one of the other witnesses when you were out of the room.

Mr. SCHREYER: Well, Mr. Chairman, I was just coming to the question. While this may be a desirable proposition, just what will this mean in terms of dollars and cents to the average Manitoba farm operation? By that, I mean an operation in the order of 500 or 600 acres. What will this translate into in dollars and cents?

Mr. MOLGAT: I do not think I can answer that question completely myself, Mr. Schreyer, but I would be very happy to have one of my colleagues here who is directly in the business—

Mr. SCHREYER: Mr. Molgat, while your colleague is working that out in an approximate way, which is all I am asking, I will go on to page 4 where you put forward as your major policy recommendation No. 2 a reference to the Canadian Livestock Feed Board. I would ask you this: Would you still oppose the Canadian Livestock Feed Board if it were self-sustaining or self-financing in the same sense that the Canadian Wheat Board is self-financing? If this were so would you still feel somewhat opposed to its operation because you fear the transactions between the two boards may not be arm's length transactions?

Mr. MOLGAT: Yes, we are somewhat fearful that this could end in the wheat board, and thereby the producer in the west, not getting the full price for his product. That is really the concern. If we had assurance that would not be so,

while I would still have some hesitation about having two government boards competing with each other, I recognize the problems of eastern agriculture and I think, perhaps, western agriculture would be prepared to accept that with the clear proviso that there be no special prices and no reduction.

Mr. SCHREYER: Mr. Molgat, I asked that question because I wanted to give you an opportunity to demonstrate to your colleagues that you are a fairly reasonable fellow on occasion.

Mr. MOLGAT: Thank you, Mr. Schreyer. You can tell that Mr. Schreyer and I sat together here in the house for some time.

Mr. SCHREYER: I have not finished, Mr. Molgat.

Mr. FORBES: He is not satisfied yet that you are reasonable, though.

Mr. SCHREYER: Mr. Molgat, in your brief you do not make any direct reference to matters generally related to grain marketing and the wheat board. So, I would ask you, how do you regard the proposition being put forward by some farm organizations and at least one of the western pools, that the marketing of rye, flax and rapeseed be brought under the aegis of the wheat board?

Mr. MOLGAT: I have not really had any major discussions on this, Mr. Schreyer. I think the flax item is not one of major concern at the moment because I think, in fact, the flax market is going down. It is not a major item. Rapeseed is not at this time either, and the total production of rye is not of that much importance. I do not think it is of critical importance to western Canada, quite frankly.

Mr. SCHREYER: Well, at this point, Mr. Molgat, perhaps your colleague could provide some information.

Mr. MOLGAT: I suggest by the way, Mr. Schreyer, that you probably have the information yourself.

Mr. SCHREYER: I just wanted to compare it with your estimate.

Mr. MOLGAT: Mr. Rod Clement, M. L. A., Birtle-Russell will answer this one.

Mr. Rod CLEMENT (*M. L. A., Birtle-Russell*): Mr. Chairman, I would say briefly—and I am rather surprised—that to the best of my knowledge the hon. member represents a group of farmers or a farm district and he knows, or should know if he does not, that the majority of the wheat—using No. 3 wheat—produced in Manitoba this year is No. 3 wheat. At least, in our area it is. The initial price on No. 3 wheat is $1.26½ at the elevator and this is what the farmer gets. Now, if the price were to be raised 25 cents, in simple arithmetic he would then get $1.51½ cents to start with and if he produces 4,000 bushels of wheat—perhaps this might not be the average in certain areas—initially he has another $1,000 in his pocket. It is as simple as that.

Mr. SCHREYER: The reason I asked that question, Mr. Molgat and Mr. Clement, is not because I did not know the initial price to the producer when he delivered at the country elevator and how much it would work out to upon receipt of final payment. But, I think if you advance the proposition that an increase in initial payments can be regarded as a matter of major policy with

respect to doing something about the cost price squeeze, then really we have to be more precise in determining just what this will mean in additional dollars and cents to the producer.

When the farmer deliver the grain to the elevator, he would have to wait for a period of time before he receives full and final payment. He can, nevertheless, borrow and pay an interest rate. Or he can get a cash advance. Then, when he receives his final payment, really he is not money ahead by receiving a higher initial payment, but only in so far as he is able to get by with less borrowing. So, when you advocate that the initial price be increased, which most members will agree should be done, you cannot calculate it in such a way as to say that all of the increase in the initial price is an increment to his income. The only actual increment to his income is the amount he saves by way of lesser borrowings and lesser interest. There is no argument about this?

Mr. MOLGAT: Oh no, no.

Mr. SCHREYER: All right.

Mr. MOLGAT: Did you want to say something, Mr. Rasmussen?

Mr. Ralph RASMUSSEN (*M. L. A., Manitoba*): I wanted to say to Mr. Schreyer that I am a practicing farmer. In western agriculture today I think you will find from the people who keep books that their expenses are running 60 to 70 per cent of their gross. Now, at this time the Canadian Wheat Board is withholding approximately 20 per cent on wheat, oats and barley. There is no business anywhere that would like a government agency to withhold when its expenses are running 60 to 70 per cent of its gross. You have a gross margin of from 30 to 40 per cent and half of this is withheld from you until the next year.

I have my own figures here. This is what I received this year. On last year's crop I received $1.33 initial payment for wheat and I got a 51 cent final payment. On oats I received 46 cent initial, and a 23 cent final. In this case 33 per cent of my income was held for one year. I do not think we are being unreasonable when we ask that this be halved, at least.

Mr. SCHREYER: For the benefit of Mr. Watson, could you tell us what grade your wheat was?

Mr. RASMUSSEN: In 1965 it was No. 2 Northern.

Mr. SCHREYER: Mr. Molgat, I do not want for one moment to leave the impression that I think your proposition does not deserve full consideration, actually. I take the position—and I am asking you if you think it is prudent or valid—that the initial payment can be increased to the point where it approaches the minimum of the price received in the world market in the course of the last five or ten year period? In other words, what is imprudent about asking the board to advance an initial payment that is slightly lower than the lowest price which they received in the world market in the last five, six or seven years?

Mr. MOLGAT: We appreciate that the wheat board has to have a cushion there. We think what we are asking is quite reasonable in view of the world wheat price and the final payments that have been paid. Looking at the wheat board figures, in 1963-64 final payment was 47.4 cents; in 1962-63 it was 37.4

cents; in 1961-62 it was 41 cents; in 1960-61 there was a ten cent interim and a 29½ cent final, so that was 39½ cents. When you go back over the years I think our request of 25 cents is quite reasonable. Looking ahead to the forecast the wheat board is making regarding its sales, I think the request is quite reasonable. Frankly, what we are recommending is that it be, in fact, an increase in the initial payment and not an interim payment sometime during the course of the period.

We recognize, Mr. Schreyer, that this is not going to change the cost price squeeze in agriculture, and I would not want you to have the idea that these are the only things we think need to be done in agriculture. I said at the outset that I was covering only some of the things we think ought to be done—the ones that need to be done right now and can be done right now.

The CHAIRMAN: I would remind the members that we have had a lengthy discussion with Mr. Molgat and that we asked the Board of Grain Commissioners to stay here. I do not think we are being very fair to them by keeping them here to this late hour. I do not know how long the questioning will take. There were several members who intimated they wanted to question the Board of Grain Commissioners. Do you want to continue questioning Mr. Molgat at this time or not? I do not think we should.

Mr. SCHREYER: Mr. Chairman, I am finished with my questioning.

The CHAIRMAN: I have two members left on my list, Mr. Crossman and Mr. Ricard.

Mr. CROSSMAN: I will be very brief.

Mr. RICARD: I will be very brief, too.

The CHAIRMAN: I have heard these brief questions before; they had better be brief.

Mr. CROSSMAN: Mr. Chairman, I wish to second the opening remarks of Mr. Berger to Mr. Molgat. Referring to paragraph 3 on page 2, you say there are difficulties arising out of labour shortage and high prices of land. I would like you to give me a recipe so I could create the same situation in my own county in New Brunswick.

Mr. MOLGAT: I am sorry, Mr. Crossman. I do not know the recipe but I can tell you there is a considerable pressure for land, certainly in the province of Manitoba at this time and the prices are high.

Mr. CROSSMAN: Which would be much desired in my part of the country.

Mr. RICARD: Mr. Molgat, on page 1 of your brief you admit a certain number of farmers earn very interesting amounts of money, whereas another great number of growers get less than the minimum wage. What do you consider a minimum wage and how many farmers would be earning less than the minimum wage?

Mr. MOLGAT: I cannot really tell you at this time, Mr. Ricard, how many are earning less. The minimum wage in the province of Manitoba right now is $1 an hour. There are many farmers that do not earn $1 an hour in the province of Manitoba. We have still large areas in this province of marginal land with very small growers upon it. I know that for people outside the province of Manitoba

this is not always evident. You may think of us in terms of big wheat growers. It is true we have some of those. But we also have a large number of people on quarter sections and they simply are not earning a living.

Mr. RICARD: You have no idea how many there are?

Mr. MOLGAT: No, but I could get a figure for you, I am sure, Mr. Ricard. We are having an ARDA study at present in one of the portions of the province—the Interlake—and those statistics would be available.

The CHAIRMAN: On behalf of the Committee I want to thank Mr. Molgat and his colleagues for their presentation here tonight. I suggest that this brief be printed as presented as an appendix to our proceedings?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Mr. Molgat is going to make an announcement afterwards. Will the members who are leaving the Committee sit down? Mr. Molgat is not going away. If the Board of Grain Commissioners would care to come up here to answer a few short questions, they can do so now. I would not really blame you if you did not come up here.

First on my list of members who wish to ask questions is Mr. Danforth. I cannot see whether he is still here or not.

Mr. DANFORTH: I am here. Mr. Chairman, I have just one line of questioning I would like to put forward at this time to Mr. Hamilton. Since the inspection of grain comes directly under the Board of Grain Commissioners, we hear from time to time that there is a proposed revision of the grades of eastern-grown grains in Canada. Can you tell me whether this comes under the direct jurisdiction of the board and whether anything is being done in this regard?

Mr. SHUTTLEWORTH: If I could just follow up while Mr. Conacher is coming, this certainly is under the jurisdiction of the board. It was pointed out this morning that an advisory committee was appointed and a hearing was held in eastern Canada, in Toronto, where briefs were presented from all facets of the industry interested in this. Subcommittees have been set up. Mr. Conacher is chairman of the advisory committee and he can give you a very brief report on the situation as it is today in eastern Canada.

Mr. CONACHER: Mr. Chairman, is the question: does the board have jurisdiction over eastern grain?

Mr. DANFORTH: I am sorry I put my question before you were in your seat. I asked the question: Since it has been proposed from time to time that consideration be given to a revision of the grades of eastern grown grains, does this come under the jurisdiction of this board and have any steps been taken to accomplish this as a fact?

Mr. CONACHER: Mr. Danforth, following on Mr. Shuttleworth's statement, as recently as last Monday we held the first meeting of the so-called subcommittee on Canada eastern grains. This is a subcommittee to the advisory committee to the Board of Grain Commissioners. The terms of reference of that subcommittee are as follows:

> This subcommittee is directed to make an examination of the grades that apply under authority of the Canada Grain Act to grains produced.

in eastern Canada including cereals, oil seeds and pulses. The object of this project is to obtain recommendations for improvements by such means as (a) elimination of unnecessary grades and modifications of grades in order to facilitate and expedite the physical handling of grain, and (b) revisions of any grades where it can be shown that those would contribute to the marketing of Canadian grains.

In order for you to obtain proper perspective on this I should give you also the terms of reference of the advisory committee to which that subcommittee and seven others answer.

The advisory committee on grain handling and grading is authorized to study any propositions for the improvement of the Canadian system of handling and grading grain, in so far as these come within the scope of the board's jurisdiction. The board does not intend to institute changes except when these would be for the general good of the Canadian grain industry. The committee is authorized to obtain, on behalf of the board, information and opinions from any source within or associated with the grain industry and may convene subcommittees for specialized studies. The committee is expected to report findings with recommendations for action to the board.

Mr. DANFORTH: I have two short questions, Mr. Chairman, which I feel will require very short answers. I will ask them both and then I will pass. Mr. Chairman, I would like to know how many members are on this subcommittee and whether they are well distributed throughout eastern Canada? The second question is, have they set a target date by which they feel these new proposals will be brought forward or, perhaps, brought into application.

Mr. CONACHER: I was nominated pro tempore chairman of the eastern committee, as we call it. That is the subcommittee on Canada eastern grains. At the first meeting last Monday, the nominees of various organizations who form the subcommittee elected me to continue as chairman. The members of the committee are: the Ontario Wheat Producers Marketing Board and the Ontario Soybean Marketing Board, which are producer organizations; there are representatives from the National Millers Association and the Eastern Elevators Association—I should explain that the Eastern Elevators Association comprises the operators of elevators in eastern Canada—the terminal type elevators —which are licensed to operate under the Board of Grain Commissioners; we have a representative of the Ontario Grain and Feed Dealers Association; a representative of the Ontario Bean Marketing Board; a representative of the corn industry in the person of the secretary of the Ontario Seed Corn Growers Marketing Board because there is no commercial organization; a representative of the Co-op Fédérée de Quebec; a representative of the Montreal Corn Exchange and of the Toronto Board of Trade. We think this is a pretty good cross-section of the industry.

Mr. DANFORTH: Thank you, Mr. Chairman. I pass.

Mr. RICARD: This afternoon we were told with regard to the elevator at Moose Jaw that if we take a broad picture since the elevator was constructed there was a differential of $4 million plus. Could a breakdown of the expenses and revenue of that elevator be given for the last 10 years?

Mr. HAMILTON: We will ask Mr. Wilson, the general manager, to give you that information. I might add, Mr. Chairman, that this information was filed when we were called before the Committee in Ottawa last spring.

Mr. WILSON: Mr. Chairman, I presume you wish the figures from the year 1956 to 1966? Will this suffice?

Mr. RICARD: Yes.

Mr. WILSON: Do you want just the expenditures?

Mr. RICARD: Both expenditures and revenues.

Mr. WILSON: In 1956 the revenue was—in round thousands of dollars—$435,000, expenditures $143,000, a surplus of $291,000; 1957, revenues $477,000, expenditures, $181,000, a surplus of $296,000; 1958, revenues, $445,000 expenditures $249,000, a surplus of $196,000; 1959, revenues, $515,000, expenditures, $223,000, a surplus of $281,000; 1960, revenues, $447,000, expenditures, $235,000, a surplus of $212,000; revenues $444,000, expenditures $297,000, a surplus of $147,000; 1962, $440,000, revenues, expenditures $213,000, a surplus of $227,000; 1963, revenues $289,000, expenditures $244,000, a surplus of $44,000; 1964, revenues $237,000, expenditures $231,000, a surplus of $5,900; 1965, revenues $10,000, expenditures, $194,000, a deficit of $184,000; 1966, revenues $12,000, expenditures $206,000 a deficit of $194,000.

The CHAIRMAN: Are there any other questions?

Mr. CLERMONT: Mr. Hamilton, in the expenditures given for 1964-65-66 at Moose Jaw did you include depreciation and so on? Also, what part was for wages?

Mr. WILSON: With reference to the year 1964?

Mr. CLERMONT: For the last three years for depreciation and wages.

Mr. WILSON: I should point out that under the federal government policy we do not depreciate our capital costs. We carry our capital costs. As you know, the elevator was constructed in 1914 and would have been—

Mr. CLERMONT: That means it is all capitalized in one way or another?

Mr. WILSON: Yes. I have not got the breakdown of figures to show which portion of this is wages and which portion is expenditures. In round figures, the wages amount to some $120,000 annually for that terminal. The other expenditures vary depending on the size of the maintenance project that is being carried out. It so happens that in 1964 we had a sizeable project there involving sandblasting, sealing and repainting the elevator. These projects vary from year to year. You have to do a major operation every ten years and the replacement of concrete. In that particular year, probably it was above our normal operating costs of somewhere in the neighbourhood of $80,000.

Mr. CLERMONT: Yes, but in 1965 and 1966 you had only $10,000 revenue and $12,000 revenue. What wages does the $120,000 cover? Are they for maintenance and repairs?

Mr. WILSON: It is government policy that we retain our staff. We have retained the staff despite the fact we have not been operating.

Mr. CLERMONT: That is enough.

The CHAIRMAN: It is a good place to work, then. Are there any other questions? Did you want to make a statement, Mr. Hamilton?

Mr. HAMILTON: I would just like to introduce Dr. G. N. Irvine, director of our research laboratory. Dr. Irvine is at the end of the table there. He is probably our number one world traveller. He is in almost continuous contact with cereal grain research establishments and millers around the world and he is probably as well qualified as anyone in Canada to take an educated look at probable future trends in production and use of the cereal grains that we grow in Canada. If this brings on a question I am sure he would be pleased to answer it.

Mr. DANFORTH: I have one question. We heard testimony that would seem to indicate Canada and the western provinces have reached almost the ultimate in the production of what was termed high-quality grain. I would like the doctor's opinion, since this seems to be in his field, of whether we have reached the ultimate or whether there is a possibility of expansion in the western provinces, and the eastern provinces as well, in the production of Canadian grains including feed grains.

Dr. G. N. IRVINE (*Chief Chemist, Research Lab, Board of Grain Commissioners*): Mr. Chairman, I have just returned from a meeting in Minneapolis where I gave a talk on the outlook for wheats, particularly in western Canada. In the course of my remarks I made the estimate that we would reach a billion bushel wheat crop in western Canada sooner than many people expected. Certainly this is my view and I think this will happen with the kind of grain we are growing at the present time, that is, maintaining the quality level we have at present without the introduction of any new particularly high yielding varieties. As far as feed grains are concerned, this will require a further research effort. A number of feed grains are being proposed now, including the triticales, which are a new species of grain altogether.

Mr. DANFORTH: Are they high protein?

Mr. IRVINE: Not per se. There have been accounts suggesting that these are high protein, but because of the particular nature of the cereal and the stage of development it is in at the moment, the kernels are very shrunken and, as you know from experience with shrunken wheat, you also have high protein. So, there is nothing to indicate these are high in protein per se, once they produce a normal looking kernel which would be required before it would be released commercially. There is no real indication, if these prove successful for feed grains, that they will be abnormally high in protein.

Mr. DANFORTH: Mr. Chairman, if I understood the doctor correctly, I think he stated he did give a paper on this very subject. I wonder, whether the doctor and his associates would agree to this paper being made an appendix to our Committee proceedings? I think it would be of great interest to all Committee members. Since we have not time tonight to ask questions and get as much detail as we would like, I think this would facilitate matters and be quite acceptable to the committee.

The CHAIRMAN: Mr. Hamilton has just whispered to me: If we gave it to the Americans we can certainly give it to you. Do members of the Committee agree?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Mr. Watson had a question.

Mr. WATSON (*Assiniboia*): I had the same question as Mr. Danforth.

Mr. PETERS: I have a general question. I was interested in the discussions that have taken place over the last few days about transportation facilities and the movement of grain. I do not know whether this comes within your field, as you are a world traveller you might suggest to the Committee some avenue of exploration with respect to new types of transportation operations for cereal grains.

Mr. IRVINE: Mr. Chairman, in terms of new ideas for transporting large quantities of grain the Australians are, at the moment, very decisively revising their system. The Americans have made quite great strides in the handling of grain, both in the production of new types of cars and alterations to their terminal facilities to handle such cars and in the logistics, actually, of moving these cars in what they call unit trains. This is having a very decided effect on freight rates in the United States and in making American grains more competitive with other world grains, particularly from various ports they wish to export from.

Mr. PETERS: Would it be possible for us—I do not contemplate the Committee going to Australia although that will be advantageous; we could rest on the way, I suppose, and on the way back,—to get papers that have been written on this field? It seems to me in discussing it that we are not faced with any alternative to what we are doing. This type of information does not appear to be available to the Committee. It does not seem that Canadians really have done any research in this field, and yet there must be some being done in the world. For this reason I was wondering whether you would know, through your knowledge of the people involved in other countries, whether this type of paper could be provided to the Committee, outlining some of the things that have been tried and some of the experiments and research that are going on in other fields which are allied to the problem of upgrading the whole machinery of grain movement we are facing in Canada.

Mr. IRVINE: Mr. Chairman, I am not aware of any specific papers that deal with this. But, I think it would be fair to suggest that the Canadian railways probably are quite familiar with moves that are being made, particularly in the United States where the experience would be most pertinent to our own.

Mr. HAMILTON: I might add that Mr. Conacher returned from Australia not too long ago. He did a study of their system and we would be very pleased to send his report to you. Their conditions are comparable to ours.

The CHAIRMAN: Are there any other questions?

Mr. CLERMONT: Why do you not make that report available to the Committee as an appendix?

The CHAIRMAN: I took it for granted this is what we would do. I probably should have said that when it does arrive we will have it printed as an appendix. Is it agreed?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Are there any other questions? Mr. Conacher wants to make just one remark about this report.

Mr. CONACHER: Mr. Chairman, I would just like to give a word of explanation about this report of mine. It is marked confidential for a reason. This report is the result of rather a swift look at grain handling operations in Australia. There simply was not time to make sure that all of the figures given were exact. It could be embarrassing to be out, say, 10 or 20 per cent in an estimate. I thought I would explain this is the reason it is marked confidential, and that it is not in the ordinary sense of the word.

The CHAIRMAN: Generally farmers are not embarrassed by a 10 or 20 per cent error in their estimates—only in front of one person, the bank manager. If there are no further questions or comments, we are going to make an amazing record here tonight; we are going to be finished just about half a minute to eleven o'clock. I want to apologize to all the people from the Board of Grain Commissioners for keeping them here so long. I did not think we would be here so late when I suggested that you come back this evening.

We certainly appreciate everything the Board of Grain Commissioners have done on the Committee's behalf while we are here in Winnipeg. The service and information you have rendered to us has been greatly appreciated. We thank you very much.

The meeting is adjourned to the call of the Chair.

APPENDIX I

Submission of

THE NORTH-WEST LINE ELEVATORS ASSOCIATION

to the

STANDING COMMITTEE ON

AGRICULTURE, FORESTRY & RURAL DEVELOPMENT

of the

HOUSE OF COMMONS

at the

SITTINGS OF THE COMMITTEE IN WESTERN CANADA

February 10th, 1967

Mr. Chairman and Members of the Committee:

Over the years the representatives of the independent investor-owned country and terminal elevator companies have welcomed the opportunity when called upon, of appearing before this Committee at Ottawa to discuss matters relating to the handling and movement of the Western grain crops. This, we believe, is the first time that the Committee has held hearings outside the National Capital. We wish to welcome the Committee to Western Canada and we particularly appreciate the invitation to appear before you in the territories in which we conduct our business.

Appearing with me today are men long associated with the grain handling industry of Western Canada.

Mr. George H. Sellers is President of Federal Grain Limited and its subsidiary and allied companies—Alberta Pacific Grain Ltd., Searle Grain Company Limited and Pacific Elevators Limited. This Company has wide-spread ramifications in providing services to the Western producer.

Mr. J. D. MacDonald is the Vice-President and General Manager of Pioneer Grain Company Limited, which Company is owned by James Richardson & Sons Limited. The parent Company has been engaged in the grain business of Canada for more than 100 years.

Mr. Purves is President of Inter-Ocean Grain Company, Limited, which Company is carrying out innovations in the industry through erecting modern feed mills and farm service centres in conjunction with its country elevator operations.

My capacity here today is that of Chairman of the Executive Committee of the North-West Line Elevators Association. I have long been associated with the Searle Grain Co. Ltd. which has recently merged with Federal Grain Ltd. of which I am Chairman.

Unfortunately two members of the Executive Committee of our Association are not able to be with us today. They are Mr. George Heffelfinger, President and General Manager of National Grain Company Limited. This Company is engaged extensively in ancillary lines including operation of feed mills, farm service centres and the handling of chemicals and fertilizers. The other member is Mr. Charles Kroft, President and General Manager of McCabe Grain Company Limited. His Company is also engaged extensively in feed mill operations and the export business where it handles various commodities as well as grain.

The North-West Line Elevators Association includes in its membership the following companies. The number of country elevators owned and operated by each company is shown. These companies own 14 terminal grain elevators at the Lakehead and at Vancouver with storage capacity of 50,361,000 bushels. The insured value of their properties is $230,000,000.

		Elevators
Ellison Milling & Elevator Company Limited		18
Federal Grain Limited	409	
Alberta Pacific Grain Ltd.	306	
Searle Grain Co. Ltd	449	1,164
Inter-Ocean Grain Company Ltd.		30
McCabe Grain Company Ltd.		91
National Grain Company Ltd.	307	
Mighty Peace Grain Company	1	308
Parrish & Heimbecker Ltd.		67
N. M. Paterson & Sons Ltd.		101
Pioneer Grain Company Limited		443
Robin Hood Flour Mills Limited		3
Scottish Co-operative Wholesale Society Limited		9
Total		2,234

Member Companies of the North-West Line Elevators Association are in strong competition one against the other, in the country for the handling of the farmers' grain. They also individually compete with the Pool Elevator Companies and United Grain Growers, Limited.

Our Association was formed in 1899 at which time there were a very large number of smaller companies engaged in the grain handling business. The reasons for forming an Association are set forth in hand-written minutes of the first meeting of the North-West Grain Dealers' Association—the original name of our Association—at its first meeting held on July 26th, 1899 as being "for the purpose of formulating rules to govern transactions between its members in the handling and shipping of grain, with the object of reducing the expenses of handling the crop of the country to a minimum". The present name of the Association was adopted in 1940 as being more descriptive.

At times it has been suggested that there have been no significant changes in elevator construction. Let us look to the background. The development of grain growing in the West was arduous and it was not until 1876 that the first export shipment of wheat was made from Western Canada. With the granting of homestead rights and the coming of the railroad there arose the need for cheaper and more efficient methods of moving grain to market. In the early days, grain was hauled to market in sacks and was loaded from wagons directly into railway box cars. To meet the needs of the farmer for a place where he could readily store and sell his grain and to relieve him of the back-breaking toil of loading grain by hand from carts and wagons into railway cars, first the flat grain warehouse and then the upright country elevator came into being. In the flat warehouse, grain was moved by gravity or by hand and wheelbarrow. A great step forward was made with the invention of the upright country elevator in which grain was dumped from the wagon into a pit and elevated by buckets attached to an endless belt from the pit into the elevator bins. The power necessary to elevate the grain was first produced by horses, then by steam and later by gasoline and electric powered motors. Board of Grain Commissioners' records show that by 1900 there were 421 country elevators and 97 flat warehouses in Western Canada. The last licensed flat warehouse disappeared from the prairie scene in 1916.

To meet the need for facilities to move grain from the Prairies to Eastern Canada and overseas market, large warehouses were required at the Lakehead to accumulate and store grain for movement by the cheaper water route across the Great Lakes. The Canadian Pacific Railway built the first terminal elevator at Fort William in 1884. This was a wooden structure with a capacity of 1,000,000 bushels. The Railway operated terminal elevators until 1904 when private capital commenced building and operating terminal elevators at the Lakehead. The Railway then withdrew from terminal grain handling.

In the period up until 1928 there was great activity in the building of new elevators. The cost of building a country elevator in the early days of the century was around $4,000 and the cost of a flat warehouse was $2,000. The first elevators built had a capacity of 20,000 to 25,000 bushels. By 1920 the standard type of elevator being built was of 35,000-bushel capacity and cost $10,000 to build. The cost of erecting a 35,000-bushel elevator by 1939 had increased to $15,600 and today the cost would be $58,000. However, with changed farming methods, the need arose for larger elevators and the country elevators being built today range in size from 65,000 bushels, costing $93,000 to 140,000 bushels, costing $180,000. This brief history and the figures of size, and cost, should deny any allegation tlhat our country elevator industry has not kept pace with the times.

The cost of building terminal elevators has skyrocketed to a point where it is uneconomic to build new plants at today's costs and at the current tariff of authorized handling and storage charges. A modern and adequate terminal elevator could be built in the 1920's for under $2,000,000. The only terminal to be built in recent years and the second in Western Canada since the 1920's is now being erected at a cost of some $22,000,000.

Following World War II, new conditions confronted the Elevator Companies. Scientists had developed new chemical weed and insect killers; agricultural scientists had developed new rust resistant strains of grains; new cultural

methods were developed; higher grain prices enabled farmers to use fertilizers more freely; improved labor saving machinery was developed by the machinery companies and better roads were built which brought about the use of large grain trucks.

These developments necessitated changes in country elevator operations and services. The elevator companies met this challenge the best way they could and to the extent of their financial resources; first by renovating existing plant by installing new and larger receiving dumps; greater capacity weighing scales to receive the large trucks; more powerful engines and electric motors and other improvements. They also developed special departments for the sale of farm chemicals and fertilizers. As the farmers turned more and more to the production of livestock to meet the increased world demand for meat products, the Companies entered the business of processing livestock and poultry feeds and the construction of feed mills at strategic points. Favorable rainfall coupled with application of agricultural science, resulted in greater crop yields. To the extent of their financial resources the Companies engaged in replacing old and obsolete country elevator plant with modern elevators having greater capacity, but this has not been sufficient to meet the conditions of the future.

I believe that you will agree with me, however, that the grain handling industry has been far from static. Naturally all these changes and developments cost money.

The independent investor-owned section of the grain handling industry is today faced with the needs for not only modernizing and renovating its elevators but also rebuilding an appropriate portion of the system which will be lost through rail line abandonment. At the present time branch lines on which our member companies operate 122 elevators having a capacity of almost seven million bushels are subject to abandonment applications. We do not anticipate all of these lines will be lost, and all elevators lost will not be replaced on operating lines, but the loss of even 100 elevators and the need to replace the lost capacity will place a tremendous burden on our member companies. The increased cost of materials and labor will accentuate this burden.

Our Association has appeared at tariff hearings on behalf of its Member Companies, since the upward spiral of costs set in, to seek revision of tariffs to meet these higher costs. We have met with only limited success in persuading the appropriate Governmental Boards to grant us tariffs of handling and storage charges in keeping with our financial needs.

With the large crops of the last few years and the anticipated increase in grain production across the Prairies, this country requires its grain gathering system to be maintained at peak efficiency. The return allowed elevator companies must be sufficient to allow the maintenance of a first class system.

We understand that the Committee has been taken on tours to inspect moder country and terminal elevators and some ancillary operations. We hope you also inspected some of the elevators in the less-populated areas where some 80 per cent of the country elevators are forty or more years old. The same situation applies to some of the terminal elevators in the Western Inspection Division. Many millions of dollars have already been spent in renovation and repair of country and terminal elevators. To the extent of our financial resources, we have replaced obsolete plant with modern elevators. Our Member Companies are

currently investing more than current depreciation and earnings from elevator operations in renovations and building of new plant to try to maintain the system at its peak efficiency. The Committee is undoubtedly aware of the tax position of the investor-owned companies in relation to the balance of the trade. Our Association appeared before the Carter Royal Commission on taxation and we eagerly await the findings of that Commission. We will not pursue this matter further at this time.

If the producers of Western Canada are to be provided with modern grain handling facilities, recognition must be given the fact that authorized tariffs must keep pace with increasing costs. We give the following examples of how our operating costs increased between 1939 and June, 1966. Additional substantial increases have occurred in the current crop year, particularly in salaries and wages:

Country Elevators

Wages have increased by 315 per cent;
Construction Costs have increased by 375 per cent;
Maintenance and Repair Costs have increased by 337 per cent;
Municipal Taxes on country elevators have increased by 550 per cent;

Terminal Elevators

Wages up 600 per cent;
Municipal Taxes up 400 per cent;
Power Costs up 360 per cent;
Repair Costs up 820 per cent;
Workmen's Compensation up 940 per cent.

The Board of Grain Commissioners, following the 1966 Tariff Hearing, granted a modest increase of one cent per bushel in the maximum country and terminal elevation charges. However, to make this increase effective in connection with country handling charges on wheat, oats and barley, it is necessary for us to negotiate an effective rate under our Handling Agreement with the Canadian Wheat Board. Our efforts in these negotiations were unsuccessful although three of the four producer-owned companies and our Member Companies, all of whom operate 90% of the elevators, urged upon the Board their need for higher charges to meet increased costs.

We filed with the Wheat Board statements revealing that in three financial years ended in 1964, 1965 and 1966, our Member Companies derived funds from country and terminal elevator operations totalling $11,682,000 and in this period we made capital expenditures on country and terminal elevators totalling $12,-110,000. You will therefore observe that all of our income from elevator operations and more, was reinvested in improving elevator facilities. Those who state publicly that we must up-date our facilities and in the same breath oppose any increase in tariffs lack appreciation of the fundamentals of practical business.

Our per bushel income from country and terminal elevator operations before income tax was:

COUNTRY ELEVATORS	Fiscal Years		
	1963-64	1964-65	1965-66
Per bushel	1.27c.	.37c.	.05c. (Loss)
TERMINAL ELEVATORS			
Per bushel	1.32c.	1.82c.	1.76c.

The steadily deteriorating financial situation in the country elevator division is obvious. The slightly improved position at the terminals in the latter two years is due to the terminal driers working at full capacity in those years resulting from the wet harvest weather in 1964 and 1965. This does not happen every year. Furthermore, wages and other costs have increased substantially in the current crop year. All that we have to offset these increased costs, the loss of drying revenue and reduced storage earnings in the country is an increase in the terminal elevation charge which became effective January 1, 1967 and will amount to only ½ cent per bushel in the current financial year.

We draw your attention to the fact that the storage rates of one-thirtieth of a cent per bushel per day in country and terminal elevators today is the same as the rate which prevailed prior to World War I. The handling charge which is also called the buying margin which we negotiate annually with the Canadian Wheat Board for the receiving and forwarding of Board grains to terminal destinations and mills, is at the same rate we received prior to World War II. This rate is 4½ cents per bushel for wheat and barley and 3½ cents per bushel for oats. Reference to the Wheat Board Handling Agreement will give you some indication of the work we perform and the risks we assume in earning this modest fee.

Over the years the increase in production volume has been a partial offset and a consolidation of companies and reduction of country elevators has helped to alleviate the particular cost squeeze in our industry—but this cannot continue indefinitely without seriously affecting the future.

It should be noted that not a single new Company has entered the country or terminal elevator business in Western Canada in the past 40 years. The answer is obvious—no Company could build elevators and survive at present-day costs and under existing tariffs. Country and terminal elevators being built at current construction costs do not meet their operating, maintenance and depreciation costs let alone provide a return on invested capital. Unless the existing situation is soon recognized and remedied, the producer will suffer from inadequate and inefficient facilities in the movement of his produce to market.

We have confidence in the continued ability of the Canadian producer to grow crops for world markets in increasing volume—and we are most conscious of the aboslute importance and necessity in the overall Canadian economy of these crops being sold in the most expeditious manner. It is our desire and hope to participate in this movement in the future as we have in the past.

The independent investor-owned companies were the pioneers in the development of the country and terminal elevator systems of Western Canada. They provided the risk capital required to furnish a necessary service to the Prairie

producer. We have been in the business of handling grain for generations and since the business of grain handling commenced in the West. As we have indicated to you, we are a vital part of the industry. The innovations, the extension of our business into additional fields of endeavor and the part we are playing in modernizing and improving our plant and equipment, is a clear indication that a very large section of the farming community wishes to do business with us. The fact that we continue to re-invest our earnings in the business makes it clear that we intend to remain a vital part of the grain elevator trade. We also do this in the confident belief that ultimately the appropriate authorities will recognize the need for fair and adequate grain handling and storage rates.

While we realize that your Committee does not deal directly with the setting of tariffs we have felt you should be acquainted with this situation. There are many other aspects of the grain industry with which we have not dealt, but my colleagues and I would be glad to discuss any of these with you.

APPENDIX II

BRIEF

Presented by

GIL MOLGAT, M.L.A.
LEADER, LIBERAL PARTY OF MANITOBA

to the

STANDING COMMITTEE ON AGRICULTURE, FORESTRY AND RURAL DEVELOPMENT

of the

HOUSE OF COMMONS

Winnipeg, Manitoba

Friday, February 10, 1967

Before outlining the Liberal Party of Manitoba's major attitudes and policies towards agriculture, we wish to heartily welcome the Standing Committee on Agriculture, Forestry and Rural Development to Manitoba. It is through the free exchange of ideas between people of the west and you that policies truly meeting the needs of Western farmers and Canada as a whole, can be developed. The Liberal Party of Manitoba trusts that this visit to our province will not be the last; in fact, it earnestly hopes the Committee could make the visits an annual affair.

Major Problems and Objectives

The Committee has doubtless heard, from the many briefs presented to it by Western organizations, that agriculture in Western Canada is still plagued by cost-price problems. While it is true that some farmers are earning relatively good net incomes, a great many producers earn less than the minimum wage.

The Liberal Party of Manitoba believes these are the main reasons for the problem:

1. Due to higher paying jobs in industry, farm labour is not only rare, but expensive in relationship to the earning ability of many Manitoba farms.
2. Land values have gone up, making it increasingly difficult for farm units to obtain land at reasonable prices, or in relationship to its productive ability.
3. Both the labor shortage and high price of land have led to greater use of purchased imputs to replace labor and land.
4. Unfortunately, while purchased inputs have increased the volume of farm products per acre and per man, the price the farmer receives for his produce has not kept pace with the cost of purchased inputs. Both large and small farmers find themselves on the same treadmill,

with smaller farmers in especially difficult circumstances since they have less ready access to capital with which to purchase these imputs.

The Liberal Party of Manitoba feels that agriculture should continue to share in the tremendous growth of Canada, and should, in fact, be a major contributor to its economic growth. It believes farm policies should be designed, from the long-term standpoint, to recognize the important contribution that agriculture can make.

The Liberal Party believes

— that policies to aid sub-marginal farmers and subsidized types of agriculture should be separate and distinct from those that are designed to increase productivity;

— that policies formulated to assist non-productive farm units do not hurt the growth and income position of productive units;

— that policies applied to one part of the country must not put farmers in another part of the country at a disadvantage, if this disadvantage is not an inherent one.

The Liberal Party of Manitoba earnestly solicits the support of the Standing Committee on Agriculture, Forestry and Rural Development towards accepting this principle:

That abundance and the ability to produce food in abundance is a wonderful gift that Canadian agriculture possesses. Canada must learn to live with this abundance and accept it, not as an evil but as something which is God's bounty. In view of the imminent world population explosion and the fact that even today, most people of the world live on subsistence-levels of food, it is foolhardy to accept any other long-term concept.

Major Policies and Principles

The Liberal Party of Manitoba feels the Committee may be interested in the Party's attitude towards certain agricultural policies which exist, and recommendations on certain policies which are needed, to achieve some of the objectives indicated earlier.

1. Increase in Initial Payments

The Liberal Party of Manitoba recommends that the initial price per bushel be raised by .25 on wheat, .14 on barley and .10 on oats. The extra money in the hands of the farmer will help him meet his bills, because many of his purchases are made under credit terms, charging interest.

The Party believes present market conditions merit this increase, and there is no risk to the Canadian taxpayer. The intent of the Wheat Board has always been to set the initial price enough below the expected realized price to have an adequate margin of safety.

In past years, the Wheat Board has advanced the initial price as price prospects improved, so the policy has already been established. They have also at times, used the practice of interim payments. We *do not favour* this policy and re-emphasize that an increase in the initial payment is of greater benefit to Western farmers.

Initial payments can be easily raised before the end of the 1966-67 crop year, and adjustments can be made to those producers who already have delivered grain under the present initial price.

2. Canadian Livestock Feed Board

The main intention of the Canadian Livestock Feed Board is to buy feed grains at the lowest possible price and to ensure that adequate supplies of feed grains in Eastern Canada and British Columbia, are available to feeders. The Liberal Party of Manitoba is concerned that, because the Feed Board is a crown agency and the Wheat Board is a crown agency, with objectives of selling grain in the best interests of Western producers, there is possible conflict of interest at the Federal Government level.

Adequate machinery for purchasing Wheat Board grain exists through the mechanism of the Winnipeg Grain Exchange and it is imperative that the Feed Board not be sold feed grain at a price lower than that offered to any other purchaser.

3. Feed Freight Assistance

The Liberal Party of Manitoba believes the Feed Freight assistance policy is harmful to the Western livestock producer, and recommends that such policy be discontinued prior to 1969. Western Canada enjoys an inherent ability to produce cheap feed grains. Yet much of the reason for the lack of growth of the livestock industry in Western Canada is due to low prices, partly induced by subsidized feeders in other areas.

We recommend that the subsidy be removed and that economics be allowed to determine the location of livestock feeding in Canada.

4. Machinery Parts and Service

Costs of farm machinery make up approximately one-half the total fixed and operating costs of the average Western farmer. The Liberal Party of Manitoba supports the investigation to be undertaken by the Royal Commission on Farm Machinery.

5. Rail Line Abandonment

Where rail lines are abandoned, the Liberal Party of Manitoba recommends that there be a joint federal-provincial cost-sharing program for the construction of hard-surfaced, all-weather roads. This would give farmers, forced to travel longer distances to country elevators, faster and surer trucking routes. This, after all, is a national problem, wheat being one of our major exports. The abandonment of branch lines represents, for those people served by such branch lines, a partial abandonment of the Crow's Nest Pass rates.

6. Federal Farm Management Program

The Liberal Party of Manitoba is concerned that not enough extension work on farm management is being accomplished by the provincial Department of Agriculture. Yet farm management, especially enterprise accounting, is fundamental to a successful farm operation and will become more so in the years ahead.

The Liberal Party of Manitoba recommends that the Federal Department of Agriculture, in cooperation with the Provincial Department of Agriculture, initiate a mass extension program in the prairies, possibly taking the form on a correspondence course in accounting and enterprise analysis. Such correspondence courses have been successfully conducted in the United States and the development of one here would be relatively simple to adapt.

The Federal Department of Agriculture could also examine the possibility of establishing a computer service to serve all prairie farmers. Such a service, besides aiding the individual farmer in making correct management decisions, would also assist agricultural policy makers.

In this regard, we might point out that the University of Manitoba has at present, the most powerful computer in Canada, equalled only by one other in the Central Data Processing Bureau at Ottawa. We are in a position to perform this service.

7. Rapeseed Marketing

Due to the vagaries of climate, Western Canadian farmers have few alternative crops to grow. Rapeseed is one crop that grows better in Western Canada than in any other part of the world, yet only about 20 million bushels were grown in 1966. If a much greater amount were produced, it is probable that prices would decline drastically, unless the total market were enlarged.

However, if rapeseed could be used as the primary oil in Canada, the following would happen:

— With increased demand, more rapeseed would be grown by prairie farmers, since the price would not be weakened.

— Corn oil and soybean oil imports would be reduced, with a resulting saving in the outflow of Canadian dollars.

— Flax, due to the reduced world demand for linseed oil, has a poor long-term future. Rapeseed could be an alternative crop for many producers. This is especially important in Manitoba which produces almost one-half of Canada's flax crop.

The Liberal Party of Manitoba recommends the following:

1. A crash research program by the National Research Council to:

(a) determine how toxic materials in rapeseed meal can be eliminated chemically in order to alow wider latitude in feeding of the meal to non-ruminants;

(b) develop varieties without toxic factors;

(c) develop earlier varieties that grow better in the drier parts of Western Canada;

(d) conduct cooking tests comparing the quality of rapeseed oil to soybean oil and corn oil.

2. The Federal Government request the United States Government to drop the tariff against the importation of rapeseed, rapeseed meal and rapeseed oil.

3. The Department of Trade and Commerce do more towards increasing the Canadian and overseas market for rapeseed oil and meal. It appears that little effort is being made in this regard.

Some of the larger food concerns such as General Foods or Borden's could process and distribute rapeseed oil. Possibly feed companies in Eastern Canada would be interested in using rapeseed meal in their animal feeds. It may be that the Department of Trade and Commerce could assist exporters and conduct an educational-promotional program among potential importers.

The Department could also assist Western oilseed processors, many of them relatively small, with marketing strategy in order to assist them in selling rapeseed oil and meal. Possibly a thorough marketing study is needed, and on the strength of this, sales could be increased.

Presented on behalf of
THE LIBERAL PARTY OF MANITOBA

APPENDIX III

CANADIAN OUTLOOK 1967*

Dr. G. N. Irvine

Board of Grain Commissioners for Canada

Winnipeg, Manitoba, Canada

As a preamble to an examination of the present, and a look into the future, let us have a look first at the past six years of hard red spring wheat production in Western Canada. In the first chart we have the carryover as at July 31 for the past six years; this is the factor that weighs so heavily in determining overall policy. In mid-summer of 1961 we were getting a little concerned about what was beginning to look like a burdensome surplus; by fall we were glad to have it, as production that year was the second lowest in the past 40 years. Since that time we have considered a carryover of around 450 million bushels to be reasonable, and necessary, to ensure that we can take advantage of any selling opportunity, and also to ensure availability of adequate supplies for our regular markets when we have a short crop. By the end of July this year, the carryover will probably have risen somewhat above the desirable level but farmers will be in a better position than for some years to store a sizeable percentage of this on the farm.

Now let's look at how exports have been going during this time. The next chart shows our exports of hard red spring wheat during this same period. Here you see the massive effect of the Russian sales in 1963-64 and again in 1965-66. We seem to be getting into a period where our sales are likely to vacillate between a base level around 325 million and a "bonanza level" of just over 500 million. This latter level seems to be about as much as we can physically handle through our system at the moment since, in addition to hard red spring wheat, we export considerable quantities of durum wheat, barley, flax and rapeseed.

Production of wheat over this same six-year period, shown in the next chart, appears to be following some form of Parkinson's Law to the effect that "production will rise to meet the needs of the export market". There has been an interesting parallelism between production and exports over the last five years. This, I don't think, is entirely fortuitous, but indicates a certain degree of flexibility in planning on the part of our Western Canadian farmers. The crop of 1961 was not planned that way, of course, and serves to indicate the ever present hazard of the environment. Over a six-year period, we have had a three-fold variation from the lowest to the highest production figures.

The situation at the moment is buoyant. Gross farm income last year was at an all-time high. This, coupled with the assurance of at least two more years of heavy export sales, has completely driven out the conservative depression complex from its last strongholds in Western Canada. Our farmers know now that they can invest in equipment, on-farm storage facilities, fertilizers and pesticides and herbicides, with the assurance that there will be steady opportunities to

* Read at Crop Quality Council Conference, Minneapolis, Minnesota, February 8, 1967.

deliver their crops. This past year gave an indication of the value of weed control and fertilizer treatment when weather conditions are right. We produced an all-time record crop of spring wheat and the average yield, at almost 28 bushels per acre, was also an all-time record.

Farmers in Western Canada must store their crop on the farm, at their own expense, until they can deliver it. Delivery is controlled by quotas, to give each farmer an equal opportunity to deliver his wheat over the whole crop year. For this reason, good crops are not all that is required for a buoyant outlook, the farmer also needs the assurance that he can deliver his crop and get paid for it. Our current long-term agreements with China, Russia and a number of the Iron Curtain countries ensure that our wheat sales will remain much above average over the next two years. It is generally felt that we will export in the neighbourhood of 450 million bushels of hard red spring wheat in each of the next two years.

With our farmers now able to finance greater inputs to achieve greater outputs, we anticipate a strong move away from the use of summer-fallow in favour of more continuous cropping with inputs of chemicals for weed control and of fertilizers. If this trend materializes, we can expect a higher acreage devoted to wheat this year and a steady increase in our average yield over the next few years. Together, these could result in our reaching a production figure of a billion bushels sooner than we have expected, given a decent break by the weatherman. In farming, as with so many other industries, it takes money to make money. With two great export years 1964 and 1966 coming almost back to back, the Western Canadian farmer has at long last got some cash in his jeans and the confidence to borrow more as he requires it.

Of course this rosy picture could be quickly altered by a cycle of dry years, but we do not appear to be as vulnerable to drought as we once were.

The variety pattern in Western Canada is rather different from that in the U.S. spring wheat area. The principal variety, after 30 years of production, is still Thatcher, although the percentage seeded to it is decreasing. In the rust area of Manitoba and Eastern Saskatchewan, Selkirk still predominates, but Canthatch and Pembina have made inroads in recent years. We expect that the variety Manitou may, in the next few years, end Thatcher's long reign as the dominant variety in Western Canada; it has excellent stem and leaf rust resistance and what appears to be a very broad yield potential. Manitou may be a significant factor in our reaching the billion bushel mark, if it fulfills the current expectations held for it. By next year we should have sufficient seed to cover a substantial percentage of our Western Canadian wheat acreage.

Before leaving the subject of hard red spring wheat I should add a word about flour consumption and exports. Domestic per capita consumption is still decreasing slowly in Canada but the increase in population is helping to keep the overall consumption at a reasonably stable level. Flour exports are steadily declining, as a result of the establishment of milling industries in many former market areas. Our market in the U.K. is declining also, as a result of the domination of the baking industry by the milling industry. The widespread adoption of the new Chorleywood Baking Process has also had its effect, as the process can be operated with weaker flour blends than were formerly used with conventional baking systems. At the moment export flour accounts for about

35-40 million bushels (wheat equivalent). This means that our export picture for hard red spring wheat should run close to 500 million bushels, wheat and flour, this crop year.

The durum picture is somewhat different from that for hard red spring wheat. Since rust race 15B did away with the durum crop in Manitoba and Eastern Saskatchewan in 1954, production has shifted largely out of the rust area—although the varieties now being seeded are mostly 15B resistant. Because we have this greater flexibility in the area where durum will yield as well as bread wheat, we tend to have a more widely varying production from year to year. When durum is in short supply, the price differential between durum and hard red spring wheat widens and often the quota situation will be eased to encourage heavier deliveries of durums. Both of these factors will encourage seeding of durums. Normal quotas and lower price differentials will discourage production. I don't believe we have many areas where durum will consistently outyield bread wheats to the extent that they do in the durum triangle of North Dakota. Accordingly we have few farmers who feel that they have a permanent interest in durums, although sufficient farmers have worked with it, that it is relatively easy to increase production as necessary to cover our projected export requirements. While the price of our Manitoba Northern grades has been relatively stable over the past ten years, durum prices during this time have fluctuated from premiums of over $1.60 to discounts of 13 cents relative to the price of the Northern grades. This fluctuation has tended to overinfluence production patterns.

In the next chart you can see our production pattern over the past six years—especially marked by the great response to the high prices created by our virtual crop failure in 1961. In 1962 we raised an all-time record crop of 66 million bushels. Immediately following this harvest word went out that farmers might well ease back on production of this crop, and production has been falling steadily until last year; although the acreage did not increase markedly, yields were at a record level last year, pushing production upwards again.

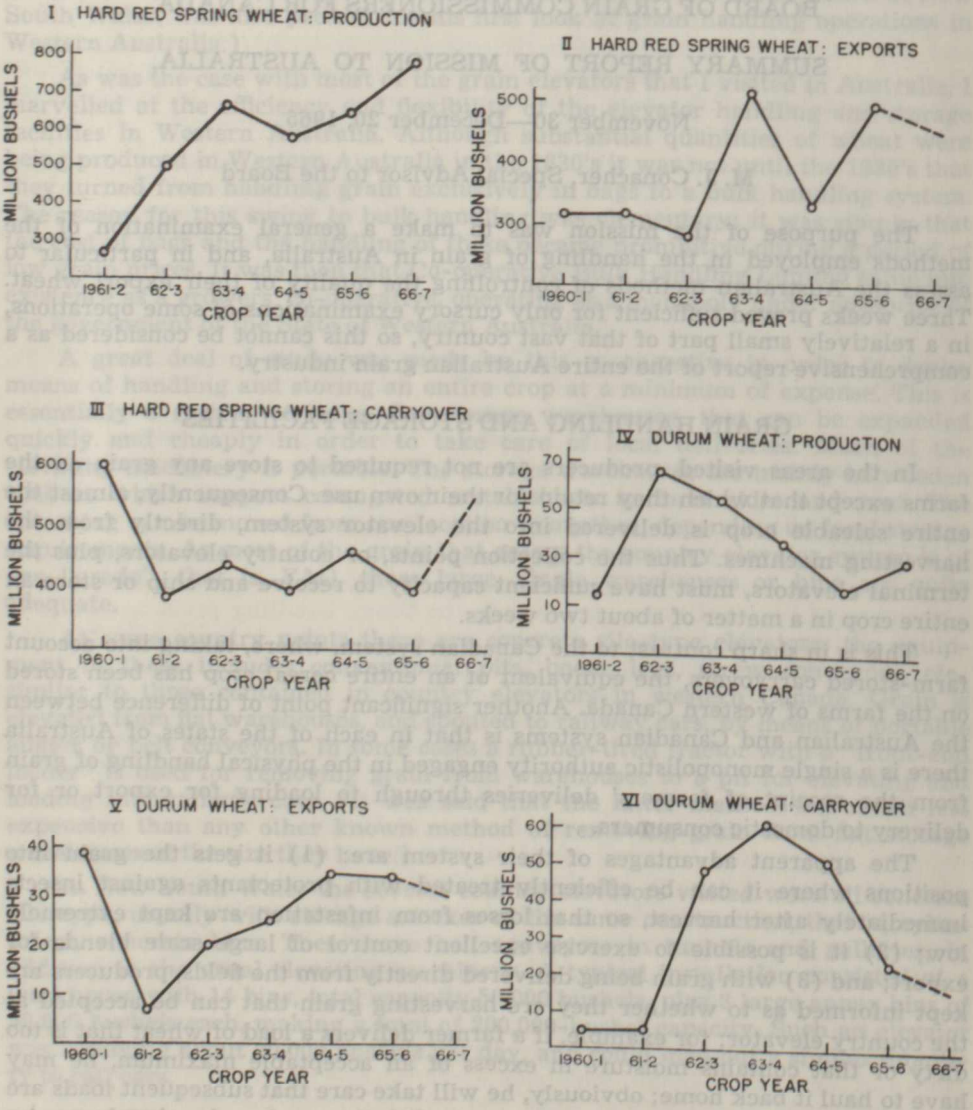
If we look at the next chart we can see that production does not reflect exports in the same neat way it does for bread wheat. Heavy sales to Italy cleaned out our durum supplies in 1960-61 and we were then faced with the situation where we had almost nothing to export as a result of the drought in 1961. Exports have been rising steadily since then but perhaps have reached a plateau now at a level around 30-35 million bushels. This current level has included fair quantities to Russia, China, Poland and Czechoslovakia.

The imbalance between production and exports is reflected, of course, in the carryover shown the next chart. It rose to record heights in 1963-64 from the low levels of 1960-61 and 1961-62. However brisk sales, especially to Russia and China in the past two crop years, have helped to reduce it to more rational levels at the present time.

Present production is mostly made up of the two rust resistant varieties Stewart 63 and Ramsay, with smaller amounts of Pelissier and Golden Ball. These latter two varieties give pasta products of rather poorer colour than our standard variety Mindum and are graded into a special grade for which there is a remarkably strong demand. We are presently testing several new varieties developed by our plant breeders, at least one of which looks very promising from both the quality and the agronomic points of view.

There is little can be said in predicting our future durum production. The market seems to be strong, with several Eastern European countries now regularly buying. If the EEC should move to require the use of durum for the manufacture of pasta products, we can expect something like a 50 per cent increase in world trade in durums. Although this proposal is still a long way from general acceptance by the EEC members it is a very pleasant possibility for contemplation by durum growers in Canada and the U.S.A. With our flexibility we will always be able to expand or contract production as the export market dictates. If we can continue to carry over 20-25 million bushels a year, we should be able to avoid some of the "feast or famine" aspects of the durum market in the post-war period.

I would like to wind up this brief survey of the Canadian outlook with a discussion of what I believe to be the most difficult problem facing us in the immediate future. We are now within sight of a billion bushel wheat crop and this could, in my opinion, be reached within the next few years without resort to hybrid wheat or to high-yielding dwarf spring wheats of perhaps dubious quality. We are constantly bombarded with statements about the world population explosion and with projections of the greatly expanding need for cereals to "feed the starving masses of the world." We know that to reach export figures much in excess of those we have achieved in the past few years we will have to seriously overhaul our present handling system. And our economists, in the main, are predicting that there will be ready markets for all we can produce. Now I think it has been pretty obvious for some years that there have been "ready markets" for all the wheat we have carried over from year to year in Western Canada, the only problem has been that these "ready markets" have not been in a position to pay for the wheat, and the heavily burdened Canadian taxpayer has been in no position to give it to them. While our food aid program has been expanded in recent years, it will be a very long time before we are financially able to underwrite gifts of 200-300 million bushels of wheat annually. Our farmers are only too willing to respond to the challenge thrown out by the economists—grow all you can to help feed the world—but our whole wheat economy is based on selling our wheat for hard currency. To export substantially more than we are now will involve large scale investment in improving our handling facilities. Are we to embark on an ambitious program of expansion without knowing how the farmer is going to get paid for his increased production? Our own foreign aid program is as generous as that of any country but only disposes of 35-40 million bushels a year. At the same aid rate, the U.S. can dispose of 570 million bushels. In reviewing our potential production, within the next five years we can see the possibility of a billion-bushel crop but we can see cash markets for only 650-700 million (including domestic consumption). The Western Canadian farmer is a pretty shrewd fellow, he has had to be to survive, and he is now looking for some guidance as to what to believe. In this, our centennial year, we are going to hear a great deal of discussion of the question "Where do we go from here?" It is interesting to note that during the present crop year, the U.S.S.R. will take 112 million bushels from Canada, while at the same time giving substantial aid in the form of wheat shipments to India and to Egypt. Is this perhaps an indication of a way out of our dilemma?


I HARD RED SPRING WHEAT: PRODUCTION
MILLION BUSHELS
800
700
600
500
400
300
1961-2 62-3 63-4 64-5 65-6 66-7
CROP YEAR
II HARD RED SPRING WHEAT: EXPORTS
MILLION BUSHELS
500
400
300
1960-1 61-2 62-3 63-4 64-5 65-6 66-7
CROP YEAR
III HARD RED SPRING WHEAT: CARRYOVER
MILLION BUSHELS
600
500
400
1960-1 61-2 62-3 63-4 64-5 65-6 66-7
CROP YEAR
IV DURUM WHEAT: PRODUCTION
MILLION BUSHELS
70
50
30
10
1961-2 62-3 63-4 64-5 65-6 66-7
CROP YEAR
V DURUM WHEAT: EXPORTS
MILLION BUSHELS
40
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1960-1 61-2 62-3 63-4 64-5 65-6 66-7
CROP YEAR
VI DURUM WHEAT: CARRYOVER
MILLION BUSHELS
60
50
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1960-1 61-2 62-3 63-4 64-5 65-6 66-7
CROP YEAR

APPENDIX IV

BOARD OF GRAIN COMMISSIONERS FOR CANADA

SUMMARY REPORT OF MISSION TO AUSTRALIA,

November 30—December 20, 1965

M. J. Conacher, Special Advisor to the Board

The purpose of the mission was to make a general examination of the methods employed in the handling of grain in Australia, and in particular to assess the Australian methods of controlling the quality of their export wheat. Three weeks proved sufficient for only cursory examinations of some operations, in a relatively small part of that vast country, so this cannot be considered as a comprehensive report of the entire Australian grain industry.

GRAIN HANDLING AND STORAGE FACILITIES

In the areas visited, producers are not required to store any grain on the farms except that which they retain for their own use. Consequently, almost the entire saleable crop is delivered into the elevator system, directly from the harvesting machines. Thus the collection points, or country elevators, plus the terminal elevators, must have sufficient capacity to receive and ship or store an entire crop in a matter of about two weeks.

This is in sharp contrast to the Canadian system, where, taking into account farm-stored carryovers, the equivalent of an entire cereal crop has been stored on the farms of western Canada. Another significant point of difference between the Australian and Canadian systems is that in each of the states of Australia there is a single monopolistic authority engaged in the physical handling of grain from the receipt of farmers' deliveries through to loading for export or for delivery to domestic consumers.

The apparent advantages of their system are: (1) it gets the grain into positions where it can be efficiently treated with protectants against insects immediately after harvest, so that losses from infestation are kept extremely low; (2) it is possible to exercise excellent control of large scale blends for export; and (3) with grain being delivered directly from the fields, producers are kept informed as to whether they are harvesting grain that can be accepted at the country elevator; for example, if a farmer delivers a load of wheat that is too dirty or that contains moisture in excess of an acceptable maximum, he may have to haul it back home; obviously, he will take care that subsequent loads are acceptable, if it is possible for him to accomplish this, such as by cleaning or by waiting for the crop to dry before continuing to thresh. I saw farmers having their grain refused at a country elevator because the moisture content was over 12.0 per cent!

Country Elevators

In Western Australia, several country points were visited in company of Mr. M. J. Lane, General Manager of Co-operative Bulk Handling Limited. (Mr. S. C. Hodgson, Chairman and General Manager of the Grain Elevators Board of New South Wales, was also present for his first look at grain handling operations in Western Australia.)

As was the case with most of the grain elevators that I visited in Australia, I marvelled at the efficiency and flexibility of the elevator handling and storage facilities in Western Australia. Although substantial quantities of wheat were being produced in Western Australia in the 1830's it was not until the 1930's that they turned from handling grain exclusively in bags to a bulk handling system. The reason for this swing to bulk handling was elementary; it was simply that the cost of bags and the handling of these became prohibitive during a period of low grain prices. It was then that Co-operative Bulk Handling Limited came into existence as a growers' co-operative, operating as a monopoly under authority of the government of the State of Western Australia.

A great deal of study was made by this co-operative in order to devise means of handling and storing an entire crop at a minimum of expense. This is essentially a system of large, flat storage warehouses, that can be expanded quickly and cheaply in order to take care of local deliveries. Much of the elevating machinery is portable. The storage warehouses are mainly of wooden timbers which support corrugated metal sheets to form sides and roof. The sheathing can be moved from one location to another, depending on local storage requirements. As most of the grain that enters the country elevator system is of one "grade", that is, FAQ, these large, single warehouses or bins are quite adequate.

At some country points there are concrete silo-type elevators; the equipment in these includes conventional pits, boots, legs, screw conveyors, etc., similar to those contained in country elevators in western Canada. Grain is elevated from flat warehouses, and spouted to railway cars, by means of portable augers or belt conveyors. In some cases a rubber-tired tractor with a "front-end loader" is used for removing grain from warehouses to a pit for elevating and loading into railway cars. (It was said that the latter method was much less expensive than any other known method of removing grain from flat storage warehouses of the size they have.)

In New South Wales the several country elevators visited were all concrete silo-type, usually with storage annexes of the same construction, that is, cylindrical, concrete bins. These have belt conveyors in tunnels and galleries, in addition to the usual elevating machinery. A typical installation consisted of a workhouse with 14 bins, total capacity 50,000 bushels, plus 3 large annex bins of 50,000 bushels each, making a total of 200,000-bushel capacity. Such an elevator was receiving about 20,000 bushels per day, and could load out a similar quantity to rail cars.

Terminal Elevators

Terminal elevators were visited in Geraldton and Fremantle in Western Australia, at Geelong in the state of Victoria, and Sydney in New South Wales. The terminals are generally about equal in handling capacity to terminals of

similar size in Canada; but their handling is expedited by the fact that they do not dry any grain and they do very little cleaning; also, they handle fewer "grades".

The terminal at Geraldton, W.A., operated by Co-operative Bulk Handling Limited, first came into operation in 1961. The reinforced concrete construction and the machinery is the same as is commonly seen in Canadian terminals. Storage capacity is 2,200,000 bushels. It can receive grain from road trucks and rail cars at a maximum rate of 920 tons per hour, and can load to vessels at the rate of 800 tons per hour.

This is the most efficient-looking and cleanest terminal elevator that I had seen in all of my experience; the dust collection system is so efficient that there is no need to wear dust coats on a tour of the premises. There is a central control room attached to the workhouse, where the entire operation of the elevator can be observed through a system of lights and dials; some remote control is possible from this point.

The terminal at Fremantle, which was put into operation in 1964, is the newest of the Australian terminals; it is similar to, but even more efficient than, the Geraldton terminal. I am sure that the management are correct in their claim that there is no terminal more modern that this anywhere in the world. The storage capacity is 4 million bushels in the new structure, with a total of 7,300,000 bushel capacity including the original old elevator and adjoining flat storage. Handling capacity is, inward from road trucks and rail cars, 1,100 tons per hour; and delivery to vessels, 1,600 tons per hour.

The terminal at Geelong is operated by the Grain Elevators Board of Victoria, which is a state-operated organization. This Board operates the country elevators and terminal grain elevators in the State, handling grain as agents of the Australian Wheat Board. This elevator is similar to many of the fine Canadian terminals that were built before 1930, but it has been thoroughly modernized and very well maintained. It is extremely flexible and efficient; it has an excellent dust-control system and a highly efficient and safe system for fumigation and subsequent aeration of grain. This terminal consists of concrete silos, with 8-million bushel capacity, plus two giant flat storage shed of 9-million bushel capacity each, making a total storage capacity of 26 million bushels. In the crop year 1964-65, this elevator shipped out 59,800,000 bushels of grain; this included 17 separate "grades" of wheat and barley. The handling capacity is 1,600 tons per hour inward, and the same amount outward to vessels.

The Geelong elevator has a central control system contained in one room, from which the actual operation of practically the entire elevator is handled by remote control. The whole effect is of unusually high mechanical efficiency.

The terminal elevator at Sydney, N.S.W., is operated by the Grain Elevators Board of New South Wales, which also operates all of the country elevators in that state. This elevator, with storage capacity of 7½ million bushels, was built in 1918, and is similar in construction and layout to some of the terminals that were built in Canada at about that time; the structure and the machinery are all obviously rugged, but in need of modernization. For example, the storage bins have open tops, and dust control is almost non-existent; some of the machinery is obsolete. Modernization of this terminal has been planned, in addition to improvements of the main structures to bring it up to date with features such

as dust control, load cell belt weighers to replace manual scales on receivers, remote control of conveyor feeder valves, modern cleaners, etc.

The layout of railway tracks at this terminal makes for extreme efficiency in the placing and unloading of railway cars. Unloading 5 rail cars simultaneously, the receiving system can handle up to 1,500 tons per hour; there are 5 shipping legs that can deliver a total of 2,000 tons (75,000 bushels of wheat) per hour to vessels. The largest handling of this elevator was in the 1964-65 season, when 140 vessels were loaded, with a total of 57,300,000 bushels. Modernization is expected to make possible a yearly handling of 90,000,000 bushels.

Grain Storage Capacities

Total storage capacity for bulk grain in Australia is approximately 365 million bushels, including 74 million bushels of permanent storage facilities at port terminals. The figure changes because the capacity of temporary storage in the interior is adjusted according to the volumes to be handled. The majority of the elevators are owned and operated by the individual state grain handling authorities. The Australian Wheat Board owns storage units in four states, with total capacity of 65 million bushels; these are operated by the state authorities.

Sheds are used for storage of bagged grain when the need arises; for example, in the 1963-64 season, nearly two million bushels of bagged wheat was stored in the state of South Australia.

Only twice in the last 35 years has total wheat production in Australia exceeded 300 million bushels, so it can be appreciated that, with the flexibility permitted by their type of temporary storage, they can take delivery of all marketable supplies of cereals, directly following the harvest.

Weighing of Grain

At all of the country elevators visited in Western Australia, motor trucks were weighed on platform scales at some distance from the elevators, on entering and leaving the elevator compound, for obtaining gross and tare weights. These scales have capacities ranging from 11 to 30 tons. The smaller units will handle almost any farm truck, but of course these are not adequate for the large modern tractor-trailer units; in some cases, the load on each axle is weighed individually. In New South Wales, scales observed at country elevators were similar to those most commonly used in western Canada, that is, platform scales located in the driveways of the elevators. In the terminal elevators visited in Western Australia all of the scales used for weighing grain on both receiving and shipping were Avery automatic "weighers", 6 tons capacity per draft. These scales are contained in locked rooms with dust control. All were so arranged that one or more drafts could be run to another scale (Avery, 39,000-pound capacity) for manual weighing as a check on the accuracy of the automatics. I was told that in some cases no tolerance of error whatsoever was permitted, that the counterpoises were moved as required so as to make the automatics show exact weights. At another terminal, I was told that the maximum tolerance on a 12,000-pound draft was 7 pounds, beyond which figure scales would be put out of service; on a regular check basis, if the error is over 2 pounds per draft, and this cannot be corrected by adjusting the counterpoise, then they call the Avery people for service.

Grain Cleaners in Elevators

Apparently there is no such thing as a grain cleaner in a country elevator in Australia. The farmers are required to deliver grain clean enough to meet export standards (FAQ), or acceptance of their grain may be refused at the country elevator.

Each of the terminals visited had a few conventional grain cleaning machines said to be used mainly for cleaning bin bottoms, although occasionally, for cleaning larger quantities in order to meet export or "premium" standards. Here is a conspicuous difference between the terminals in Australia and Canada; their workhouse floors look empty by comparisons with ours which are full of cleaners, separators, etc.

RAILWAY CARS

Railway cars used in grain hauling in Australia (called rail trucks or rail wagons there) include an assortment of sizes and types; some have roofs with openings for convenient top loading, and some are open gondola cars with tarpaulin covers. Capacities range from 20 to 55 tons. In Western Australia, the cars that are used regularly for the hauling of grain have doors in the ends for unloading; these make for extremely rapid unloading with simple end dumpers or "tipplers" at the terminals. In Victoria and New South Wales, the newer grain cars have multiple hoppers in the bottom; I saw a hopper-bottom car of wheat unloaded in exactly two minutes at the Sydney terminal.

INSECT CONTROL

Much of the grain delivered from farms into the elevator system in Australia is at temperatures in excess of 80°F., such temperatures being quite common at harvest time. Control of stored grain pests has therefore been a major continuing problem for the Australians; large amounts of grain have been required to be fumigated, and indeed this is still the case (in comparison with amounts fumigated in Canada) despite the widespread use of protectant chemicals. The only one of the latter that was mentioned was Malathion (O,O—dimethyl dithiophosphate of diethyl mercaptosuccinate). Problems of pest control provide the main reason that they usually warehouse wheat at moisture level lower than 12.0 per cent.

In recent years, the Australians have studied the effects of chemical protectants on grain; they established that if wheat is treated with 12 parts of Malathion to a million parts of grain, it will be insect-free for 6 to 9 months under their ordinary storage conditions. As a result, they have adopted what is virtually complete treatment of their commercial grain with this chemical. Country elevators and terminals are equipped with apparatus which deposits the chemical, in water solution, onto the grain as a fine spray. They have developed apparatus which gives extremely accurate control of the amount of chemical used. A common method of application at the country elevators introduces the chemical into the grain in the boot of the receiving leg; in the terminal elevators the chemical is sprayed onto the grain on conveyor belts.

As Malathion is dissipated by the aeration that occurs in ordinary handling, the terminal operators re-apply the chemical as they receive grain; the maximum amount mentioned to me was 20 p.p.m. Apparently the accepted max-

imum tolerance of Malathion permitted in grain going into export or into domestic food or feed channels is 8 p.p.m.; their problem has apparently been to hold up to this level rather than down to it. In the event that the concentration of chemical is too high, this apparently can be reduced by ordinary aeration. While Malathion does not pose extreme dangers to humans as do the fumigants, it is harmful if inhaled, swallowed or absorbed through the skin. I felt extremely conscious of the presence of Malathion in all elevator premises that I visited; furthermore, I could detect its disagreeable odour from my clothing for several hours after having been in the elevators.

Fumigants reportedly used are: cyanide gas only in the terminals in Western Australia, and phosphine gas only in the terminals in the states of Victoria and New South Wales. Various "residual" sprays are commonly used for spraying walls, empty bins, etc., provided that there is no deposit directly onto grain.

QUALITY CONTROL or "GRADING"

Contrary to our preconceived ideas, there are several "grades", or different ranges of quality, into which Australian grain is divided for purposes of handling and marketing. The basic quality, which includes most of the crop that is marketed, is the FAQ (Fair Average Quality) that is re-established annually for each one of various production areas. These areas are: Southern-Western N.S.W., Northern N.S.W., Victoria, South Australia, Western Australia, and Queensland.

The procedure followed in establishing FAQ bears some resemblance to the survey of the new crop each fall in western Canada in connection with the preparation of standard samples. Taking Western Australia as an example, the country staff of Co-operative Bulk Handling Limited are required to send in at least three samples that they consider typical of the new crop of wheat, as soon as it is possible to obtain these in their respective districts. The samples are sent to the central laboratory of Co-operative Bulk Handling Limited in Perth, where various tests are made on these, including test weight, moisture, protein, extensograph, and milling and baking tests of composites. These samples are usually received well before any significant quantities of wheat are received at the country elevators. In the areas near Perth and Geraldton which I visited during the first week of December, wheat was generally ripe. The harvest was delayed by rain, and as the country elevators do not have moisture testers, producers were required to wait until the central laboratory returned reports on the preliminary samples that had been received. (All elevators in New South Wales are equipped with moisture meters.)

As deliveries to country elevators proceed, the operators prepare weighted composite samples of receipts, which are sent frequently to the central laboratory in Perth for examination and testing. The experts in this laboratory direct the elevator operators in their buying and handling of grain, taking into account the overall quality of the crop as well as any particular quality factors.

There are certain constant factors that apply every year in the qualification of wheat with respect to FAQ; these are, maximum 12.0 per cent moisture, minimum 59 pounds test weight per bushel, maximum 5 per cent of "unmillable" wheat (through 2mm × 1/2-inch slotted sieve), maximum 25 blackpointed kernels per ounce.

Normally, although the harvest is underway early in December, very little wheat is delivered to vessels until late in January; by that time the FAQ level has been established on the basis of samples that represent practically the entire crop, these being made into composites weighted in relation to quantities produced in various areas of the state. With the grain actually having been received into the various storage positions, it is possible to draw it into terminals in proper proportions for the making up of large blends that conform quite closely to the FAQ level.

However, substantial quantities of wheat do not enter commercial channels as FAQ. "Premium" quality wheat which, as the term implies, commands premium prices, is handled and marketed separate from FAQ wheat; much of it is track-loaded directly to rail cars for shipping to domestic mills; this is done using portable power-driven conveyors with integral hoppers for receiving grain from motor trucks. "Premium high protein" wheat is selected for bread flours; there is also "premium low protein" wheat that is sold into the biscuit trade. Variety is a factor in classing wheat as "premium"; and it seems that the prospect of obtaining premium price has a significant influence on producers' decisions to sow better quality varieties; there are "premium pools" which provide for equalizing of payments to growers of premium wheat.

There are also "substandard", or "under-grade", qualities of wheat. Lightweight wheat is often divided into two substandard categories, such as under 56 pounds per bushel, and 56 pounds to 59 pounds per bushel. Wheat that is damaged from causes such as weathered, or "shot and sprung", mouldy, "tipped" (excessive blackpoint), "red or pickled" (mercurial-treated), infested or insect-damaged, smutty, eucalyptus-tainted, lightweight and containing excessive unmillable material, is sold as substandard if the damage is so severe that it poses a threat to the quality of FAQ shipments.

Operators may refuse to take delivery of substandard wheat from producers. If space is available, and the grain is received, samples are sent forthwith to head office for assessment of "dockage", which means dockage in price rather than for mechanical clean-out as in the case of Canadian grain. Some undergrade wheat is loaded directly into railway cars, that is, trackloaded as in the case of premium wheats.

It can be appreciated that the Australian system makes for narrow ranges of quality in FAQ cargoes, in comparison with Canadian export shipments. One of the main reasons is, of course, that each "FAQ" represents a relatively small area, with nothing approaching the variations in weather that occur over the Prairie Provinces of Canada. Another contributing factor is the removal from the main bulk of their wheat, of selected premium high-and low-protein; segregating these obviously helps to reduce the range of protein of their export shipments.

The control obtained, by taking delivery of practically all of the marketable crop directly from the fields, provides the means for large-scale blends for export, taking any significant quality factors into account. It seems probable that claims from buyers' markets, of Australian cargoes being received within narrow ranges of protein, test weight, and other factors, are quite credible.

Unfortunately for them, their authorities have essentially no control over varieties that are grown; elimination of some of their poorer quality varieties

would result in a great improvement in their control of quality of FAQ exports. Some of the well-informed Australians who know about the Canadian system of licensing varieties of seed, told me they were convinced of the need for them to do something along similar lines; I submit that it is noteworthy that influential people are thinking this way.

OILSEEDS AND OILSEED PRODUCTS

As we had known of Australian imports of oilseeds and products therefrom, advantage was taken of opportunities to obtain information on this subject.

There is relatively little stall feeding of livestock in Australia because their main markets are for lean meat. Exports include pure lean beef, that is, filleted and with all fat trimmed off. Therefore they sometimes have exportable surpluses of protein supplements, including linseed meal. However, there is demand in the Australian feed trade for soybean meal; this has been obtained from both U.S.A. and Canada by the largest feed compounder in the country. There is little demand for rapeseed meal, although rapeseed oil is in demand; so the oil has been imported instead of the seed.

There has apparently been a substantial increase in the consumption of vegetable oil products in Australia. Newspapers were carrying advertisements for margarine, with emphasis on the effect on health of poly-unsaturated oils. Imports of rapeseed oil have increased from 98,867 gallons in the crop year 1962-63, to 473,005 in 1963-64, to 936,696 in 1964-65; the suppliers in 1964-65 were Sweden (327,886 gals.), Federal Republic of Germany (321,369 gals.), Japan (143,701 gals.), Denmark (115,003 gals.), other foreign (28,737 gals.); total value over $1.5 million.

Safflower seed is apparently the best suited of the edible-oil seeds for production in Australia; this is understandable in view of the similarity of climate to that of the areas of California where the safflower produces well. Australian production of this seed increased from a mere 382 tons in the crop year 1956-57, to 3,732 in 1963-64, to 16,400 tons (estimated) in 1964-65.

Increased production of edible-oil seeds in Australia is being encouraged by government and by industry. Work is being done on varieties of soybeans in the hope of finding some that are suitable for Australian conditions. Rapeseed is being grown, too, on a more or less experimental basis; performance in 1965 in the state of Victoria was promising. Domestic production of safflower seed is encouraged by guaranteed prices to producers, and by duties on imported seed.

It looks like a fair assumption that the Australians are intent on being self sufficient in oilseeds. At least, we cannot look to Australia for large continuing outlets for our oil seeds and products therefrom; but this is not to say that this market should be forgotten, because they are not yet self sufficient and thus may occasionally present favourable sales opportunities to Canadian suppliers.

PROSPECTS FOR GRAIN PRODUCTION

In the last few years, the acreage seeded to wheat in Australia has been increasing at a rate of about a million acres a year, without affecting the acreage planted to other crops. The main reason for this increase in wheat acreage is the discovery, a few years ago, of a means of increasing the fertility

and production of soils by growing so-called "subterranean" clover. There are varieties of deep-rooted clover that thrive in the average climate of Australia's farmlands.

These clovers thrive through the winter, when the rainfall is generally heavy, and freezing is not a factor. So sheep thrive on the lush green clover in the winter; and if the pasture is not over-grazed, there is a residue of dry, highly nutritive hay that provides excellent feed for the sheep through the hot summer months. The production potential of grazing land has been greatly increased; in some areas it has been doubled. These clovers build up fibre and nitrogen in the soil rapidly; after three or four years the land is ready to produce greatly increased cereal crops with the addition of superphosphate fertilizers.

Full exploitation of this technique, which is still in the development stage, are expected to bring about some spectacular increases in farm incomes. While this is interesting to us, unfortunately there does not seem to be any lesson that we can draw from it, because the climate of Western Canada precludes following the Australian example.

ACKNOWLEDGEMENTS

I was given a most enthusiastic reception, and utmost co-operation, everywhere I visited in Australia. I am extremely grateful to the men of the Canadian Foreign Trade Service who made advance arrangements for visits with various interests in and associated with the grain business, set up itineraries for me, and gave me personal assistance to ensure that my time was spent to maximum advantage.

Everywhere I went, the kindliness of the Australians far exceeded my expectations. I had thought there might be some reticence about exposing the details of their operations to an observer from a country that is obviously a competitor of theirs in world grain markets; but I am convinced that all of these people were completely forthright with me; and they certainly showed me all I asked to see, and more—time was the limiting factor.

I must give special mention to a few of these men:

Mr. Lane of Co-operative Bulk Handling Limited in Western Australia took time personally, during the excitement of the start of the harvest, to take me on a trip to see the grain handling facilities at Geraldton and Fremantle terminals, as well as at several country points. Mr. Hodgson of the Grain Elevators Board of New South Wales took me on a three-day tour of country elevators, ending in Sydney where he arranged my visit to the terminal elevator there.

Dr. Callaghan and Mr. Dorman of the Australian Wheat Board took time for an interview with me and invited me to visit at the close of a meeting of their full Board. Mr. Dorman had his congenial executive assistant, Mr. "Alf" Hill, take me to Geelong to see the terminal elevator and to visit with the extremely interesting terminal superintendent there, Mr. Wallace Knights. Mr. Hill also delivered me by motor car from Melbourne to Albury, N.S.W., to meet with Mr. Hodgson for the tour of elevators in that state.

My Canadian friend, Mr. John Stiles in Sydney, assigned his Mr. Chas. Legge to assist me in attending interviews with people in Sydney and environs.

Courtesy of Mr. O'Neill in Canberra, Mr. Doug. Campbell, Canadian Agricultural Secretary, was my guide in Canberra; he even flew with me to Melbourne to assist in meetings there.

I am extremely grateful to the several people in public service and in industry for copies of publications, reports, etc., that they gave me, with their authority to quote from these and to reproduce pictures.

PERSONS AND PLACES VISITED (partial list)

WESTERN AUSTRALIA

Perth

Head offices and laboratory of Co-operative Bulk Handling Ltd.
— Mr. M. J. Lane, gen. mgr., CBH
— Mr. D. Thayne, grain inspectionssupervisor, CBH
— Mr. C. Siarikowski, in charge of laboratory, CBH

Department of Agriculture, Govt. of Western Australia
— Dr. T. C. Dunne, Director of Agriculture, D. of A., W.A.
— Mr. A. S. Wild, Chief, Wheat & Sheep Div., D. of A., W.A.
— Mr. J. A. Parish, Cereal Product Advisor, D. of A., W.A.

Geraldton

Terminal elevator of CBH, Mr. E. W. Dunn, port supt.
Headquarters of Mr. F. Reynolds, "territory" supt., CBH (40 sidings)

Mullewa

Headquarters of Mr. R. Dixon, district supervisor, CBH (10 sidings)

Morowa

Country elevator agent, CBH, Mr. B. Row

Three Springs

Country elevator

Mingenaw

Country elevator

Fremantle

Terminal elevator of CBH, Mr. P. Bird, port supt.

Wongan Hills

Mr. H. L. Shields, pres., Wongan Ballidu Shire

Northam

Transfer elevator, under construction.

CANBERRA, A.C.T.

— Mr. A. R. Menzies, High Commissioner for Canada
— Mr. J. B. O'Neill, Commercial Counsellor
— Mr. D. I. Campbell, Assistant Commercial Secretary

Dept. of Primary Industry, Govt. of Australia
— Mr. J. D. Macfarlane, 1st asst. secy, Export & Management Div.
— Mr. I. H. Smith, asst. secy, Export Inspection Div.

VICTORIA STATE

Melbourne

Head offices of Australian Wheat Board

— met entire Board—see Annual Report for membership.

— Dr. A. R. Callaghan, Chairman, Australian Wheat Board.

— Mr. L. H. Dorman, gen. mgr. A. W. B.

— Mr. A. J. Hill, executive asst., A. W. B.

Dept. of Agriculture, Govt. of Victoria State

— Mr. W. B. Miller, Supt. of Agriculture (also member, Aust. Barley Board)

Grain Elevators Board (Victoria State)

— Mr. K. H. Turnbull

Mr. V. C. Burston, Pres., Melbourne Corn Exchange, Canadian Foreign Trade Service

— Mr. H. A. Gilbert, Commercial Counsellor for Canada

Geelong

Terminal elevator of Grain Elevators Board (Victoria State)

— Mr. D. P. Knights, supt.

NEW SOUTH WALES

Sydney

Grain Elevators Board of New South Wales

—Mr. S. G. Hodgson, Chairman & Manager

—Terminal elevator of GEB, Mr. E. Sullivan, supt.

Dept. of Agriculture, State of New South Wales

—Mr. C. Walkden Brown, Cereal Specialist

Allied Feed Mills, Pty. Ltd.

—Mr. Douglas, manager

—Mr. R. V. Buist, chemist

Blyth, Greene, Jourdain (Aust.) Pty Ltd.—Importers

—Mr. C. R. Cara, manager for N.S.W.

—Mr. W. A. Hawes, Sales mgr. for N.S.W.

Meggitt Ltd., Granville (suburb of Sydney)—oilseed crushers

—Mr. H. W. Stuart, Gen. supt. (over 3 plants)

Canadian Foreign Trade Service

—Mr. J. A. Stiles, Commercial Counsellor for Canada

—Mr. Chas. Legge, asst. to Mr. Stiles

Albury

Southern Mills Ltd. (Bunge Corp.), Mr. V. Griffiths, mgr.

Culcairn, Henty, Yerong Creek, The Rock, Wagga Wagga, Harefield, Old Junee, Temorra, Barmedman, Wyalong Central, Wirego, Grenfell, Cowra, Holmwood, Bathurst.

Country elevators of GEB

Junee

"Sub-terminal" elevator of GEB, Mr. J. Arthur, officer in charge.
Headquarters of Mr. W. Hunter, district supervisor for GEB

Grenfell

Headquarters of Mr. R. Gamble, district supervisor for GEB
Local office of Wm. Cooper & Nephews Pty. Ltd., Mr. R. Sticker, entomologist.

REFERENCES

Any of the following material is available for reference in connection with this report, and may be borrowed from the office of:

M. J. Conacher, Special Advisor to
The Board of Grain Commissioners for Canada,
267 Grain Exchange Building,
Winnipeg 2, Manitoba

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HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-67

STANDING COMMITTEE

ON

Agriculture, Forestry and Rural Development

Chairman: Mr. EUGENE WHELAN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 33

TUESDAY, APRIL 25, 1967

THURSDAY, APRIL 27, 1967

Respecting

The Annual and Supplementary Reports of the

CANADIAN WHEAT BOARD

for the Crop Years 1962-63, 1963-64, 1964-65

INCLUDING

The Sixth Report to the House

and

(A) Index to Agriculture Estimates.
(B) Index of Witnesses.
(C) List of Briefs re the Canadian Wheat Board.

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Mr. Stafford,
Mr. Stefanson,
Mr. Tucker,
Mr. Watson (*Assiniboia*),
Mr. Watson (*Châteauguay-Huntingdon-Laprairie*),
Mr. Yanakis—45

(Quorum 15)

Michael B. Kirby.
Clerk of the Committee.

[1] Replaced Mr. Cadieu (*Meadow-Lake*), Tuesday, February 14, 1967.
[2] Replaced Mr. Gundlock on Tuesday, February 14, 1967.
[3] Replaced Mr. Madill on Tuesday, February 14, 1967.

ORDERS OF REFERENCE

TUESDAY, February 14, 1967.

Ordered,—That the names of Messrs. Ethier, Herridge and MacDonald (*Prince*) be substituted for those of Messrs. Cadieu (*Meadow Lake*), Gundlock and Madill on the Standing Committee on Agriculture, Forestry and Rural Development.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House of Commons.

25808—1½

REPORT TO THE HOUSE

MONDAY, May 8, 1967.

The Standing Committee on Agriculture, Forestry and Rural Development has the honour to present its

SIXTH REPORT

In accordance with its Order of Reference on Thursday, June 2, 1966, the Committee had before it for consideration the Annual and Supplementary Reports of the Canadian Wheat Board for the crop years 1962-63, 1963-64 and 1964-65.

Your Committee has considered and approved the Annual and Supplementary Reports of the Canadian Wheat Board for the crop years 1962-63, 1963-64, and 1964-65, and commends them to the House with approval.

Your Committee had the following witnesses appear before it;

The Minister of Finance: Hon. Mitchell Sharp

From the Canadian Wheat Board: Mr. W. C. McNamara, Chief Commissioner; Mr. J. B. Lawrie, Assistant Chief Commissioner; Dr. R. L. Kristjanson, Commissioner, Mr. C. E. G. Earl, Executive Director; Mr. Peebles Kelly, Treasurer; Mr. S. A. Hornby, Secretary; Mr. F. T. Rowan, Sales Manager, Wheat; Mr. H. B. Monk, Solicitor to the Board.

From the Board of Grain Commissioners: Messrs. F. Hamilton, Chief Commissioner; W. J. MacLeod, Secretary; V. Martens, Assistant Secretary; E. E. Baxter, Chief Statistician; C. L. Shuttleworth, Commissioner; A. H. Wilson, General Manager, Canadian Government Elevator; M. J. Conacher, Special Advisor, Grading; A. V. Svoboda, Commissioner; C. Hammond, Assistant Chief Inspector; Drs. W. Meredith and I. Hlynka, of the Research Branch.

From the National Harbours Board: Captain B. D. L. Johnson, Port Manager, Vancouver, and Mr. W. E. Pickering.

From the Pacific Grain Transportation Committee, Department of Transport: Mr. Bill Riddell.

From North Pacific Shipping: Mr. Harry Craig.

From Louis Wolfe & Sons (Vancouver) Ltd.: Mr. Albert White.

From the Canadian Pacific Railway: Mr. J. N. Fraine.

From the Alberta Department of Agriculture: Dr. Glen R. Purnell, Director, Economics Division, and Mr. R. E. English, Statistician.

From the Alberta Wheat Pool: Messrs. Nelson Malm, First Vice-President; Allan J. Macpherson, Second Vice-President; H. K. Moen, General Manager, Vancouver; O. Keith Resenberger, Director; Omar J. Broughton, Secretary; A. T. Baker, General Manager; C. L. Nowlin, Manager, Country Operations; J. S. Harburn, Manager, Sales and Traffic; Allan M. Gibson, Manager, Public Relations; L. D. Nesbitt, Retired Superintendent of Publicity; Bruno Friesen, Economist.

From Prairie Farm Rehabilitation Administration (P.F.R.A.): Mr. M. J. Fitzgerald, Director; Mr. W. B. Thompson, Assistant Chief Engineer; Mr. W. M. Berry, Chief Design Engineer.

From the C.C.F. party of Saskatchewan: Mr. J. H. Brockelbank, M.L.A., Kelsey; M. I. C. Nollet, M.L.A., Cutknife; and Mr. E. I. Kramer, M.L.A., The Battlefords.

From the National Farmers Union: Mr. Roy Atkinson, President; Mr. Stuart A. Thiesson, Secretary Treasurer.

From Saskatchewan Department of Agriculture: The Honourable D. T. McFarlane, Minister of Agriculture; Mr. Harold Horner, Deputy Minister; Mr. J. A. Brown, Director, Economic Division.

From the Saskatchewan Wheat Pool: Mr. E. K. Turner, First Vice President; Mr. R. H. Phillips, Director, Research Department; Mr. W. J. Ball, Manager, Country and Terminal Elevator Division; Mr. J. O. Wright, Secretary.

From the City of Moose Jaw: His Worship, Mayor Louis H. Lewry.

From Manitoba Pool Elevators: Dr. W. J. Parker, President; Mr. Harold B. Sneath, Vice President; Mr. George E. Franklin, Director.

From the North-West Line Elevators Association: Mr. A. S. Leach, Chairman of Executive Committee; Mr. George H. Sellers, Mr. J. D. MacDonald, Mr. R. P. Purvis.

From the Liberal Party of Manitoba: Mr. Gildas L. Molgat, M.L.A., Ste. Rose, Leader of the Opposition; Mr. Ron Clement, M.L.A., Mr. Ralph Rasmussin.

From the Manitoba Department of Agriculture: The Hon. Harry J. Enns, Minister of Agriculture; Mr. W. E. Jarvis, Deputy Minister; Mr. G. A. Kristjanson, Assistant Director, Economics and Publications Branch.

From United Grain Growers Ltd.: Mr. R. C. Brown, Vice-President.

Your Committee would like to thank all of the above witnesses for their attendance before the Committee and for their helpfulness.

In considering its Order of Reference your Committee sat fourteen times and held eight meetings in Western Canada. The eight meetings in the West took place over one week and lasted some twenty-seven hours. The Committee also spent another twenty hours touring and inspecting grain and other facilities in and around Vancouver, Calgary, Regina, Winnipeg and the Lakehead.

Your Committee sought permission from this House to tour Western Canada for several reasons. First, the Committee wished to examine the Canadian Wheat Board on its "home stamping grounds" and secondly the Committee wanted to hear Westerners and their representatives. Third, the Committee wanted to see for itself the installations and facilities about which it has been hearing so much. The visit to the West, your Committee feels, was invaluable, as it was both broadening and educational.

Indeed one of the most rewarding features was the understanding and knowledge gained by the Parliamentarians from Eastern Canada. This latter in the eyes of the Western Members, your Committee knows, made the hearings and inspections very worth while.

Your Committee would like to thank all those who contributed to the success of the tour through the Prairie Provinces and in particular would like to express its thanks to the Chairman, and Vancouver staff of the National Harbours Board, the Lakehead Harbours Commission, the Winnipeg Grain Exchange, the Chief Commissioner and staff of the Board of Grain Commissioners, The Saskatchewan Wheat Pool, Federated Co-ops of Calgary and Western Feed Lots (Alberta) Ltd.

Your Committee has become concerned about the delay in receiving its printed evidence. It has been most awkward to write a proper Report to this House without the printed proceedings being quickly available.

Translation of the proceedings into French is also very slow and indeed the French speaking Members of your Committee have every reason to be concerned. Weeks, and even months have passed before the French translations have become available.

These remarks must in no way be taken as criticisms of the present staffs. Indeed, they are to be complimented for doing the work as well as they do under the circumstances.

Your Committee is of the opinion that if the present Committee work load is to continue or increase a greater degree of efficiency would be possible by making enlarged supporting staffs available to Committees.

The Committee is also of the opinion that more and better planned Committee meeting rooms are sorely needed.

Writing to the Chairman of the Standing Committee on Broadcasting, Films and Assistance to the Arts Mr. Speaker said, in part, the following:

> "In my view authority to broadcast or telecast committee proceedings can only be given by the House of Commons itself . . . .".

Your Committee, as have other Committees, has been subjected to continued pressure to allow the televising of Committee proceedings. Your Committee is aware of the above opinion of the Speaker of the House and has felt bound by tradition in this situation. The Committee can see many difficulties if no proper controls or guidelines are established in this area. It is your Committee's view, therefore, that study should be made of this problem and if the

televising of proceedings is agreed to by the House, that proper rules and regulations be drawn up.

As the session draws to a close your Committee would like to offer its thanks to the staff of the House and in particular to the Committees and Private Legislation Branch and the Interpretation Branch for the excellent work done on its behalf. Your Committee would like to make special mention of the Clerk of the Committee, Mr. Michael B. Kirby.

While considering the Reports before it, your Committee considered and reached some conclusions on the following topics;

NATIONAL FARM POLICY CONFERENCE

A recommendation was made to your Committee by witnesses in Western Canada that the Federal Government should convene a national conference on farm policy.

Your Committee has sympathy for this suggestion and notes that the Canadian Federation of Agriculture endorses the idea. Your Committee feels that such a conference might contribute a great deal to the future of farming in Canada. Your Committee, therefore, recommends that a National Farm Policy Conference be called under the auspices of the Federal Government.

CANADIAN WHEAT BOARD

Your Committee must offer its congratulations to the Chief Commissioner and staff of the Canadian Wheat Board for the excellent job they are doing selling Canadian grains. The esteem in which witnesses appearing before the Committee held the Board could not but impress your Committee.

In examining a Crown Corporation it would not be proper for a Committee of this House to delve into matters of internal administration. Your Committee feels, though, that the successes which the Canadian Wheat Board has been achieving can be traced directly to the administrative qualities found in the Commissioners and staff.

Your Committee as a result of its inquiries is of the opinion that the market for Canadian Grain is continually growing. The problem in the future will possibly lie in whether Canada can produce enough grain to meet the market's needs. Experts are of the opinion that the world wheat requirements will reach four billion bushels by 1980 and this will require quite a large increase in production. To meet its customers' requirements Canada will have to have an annual wheat production by 1980 of one billion bushels. The fear expressed is not that Canada will exceed this figure but rather that it might fail to do so.

Your Committee thus concludes that leadership in the grain trade is of growing importance for if the figures and arguments put forward by the experts are reliable then an all out effort must be made. It is your Committee's view that some of this leadership must come from the Canadian Wheat Board.

GOVERNMENT ASSISTED EXPORTS—GRAIN AND FLOUR

The world food shortage is reaching an acute stage. Witnesses appearing before your Committee felt that if it was not settled now, it would soon be politically unacceptable to ignore the hungry and the destitute. Implied in the opinions expressed by these witnesses was the idea that the whole matter was one of national concern and one that soon would see great international involvement. Your Committee will not go into the "whys" of foreign aid but would like to say that Canadian Food Aid programs must be greatly expanded.

Your Committee is in no way implying any criticism of present programs. Your Committee, conscious of the work of the Standing Committee on External Affairs, does not wish to go too far into this subject, but feels that by including a recommendation for greater food aid programs it is giving a warning that Canada must be prepared to give more, not because its present aid is minor, but because hunger is spreading.

INTERNATIONAL WHEAT AGREEMENT

Your Committee heard evidence dealing with the International Wheat Agreement (IWA). Some witnesses expressed the view that the present IWA agreement which has had two extensions should not be extended unless terms of agreement are negotiated to bring about a substantial increase in the price ranges of the better grades. Witnesses were questioned closely on this matter and were asked what amount they would recommend as a proper, and equitable price increase for No. 1 Northern at the Canadian Lakehead.

It is your Committee's opinion that a 50 cent a bushel increase would be fair and equitable for high quality wheat in view of world market conditions.

INITIAL PAYMENTS

Your Committee heard much evidence on the size of the initial payment to producers for grain delivered to the designated elevators. To many witnesses the size of the final payment indicated that the initial payment is too low.

Your Committee has considered this evidence and is very sympathetic to the representations made. Your Committee would like to recommend that the initial payment should never be below eighty percent of the full quoted price.

JURISDICTION OF THE CANADIAN WHEAT BOARD

Evidence suggested that the jurisdiction of the Canadian Wheat Board should be extended so as to allow the Board to handle the marketing of rye, flax and rapeseed. This proposition would appear to have a general support throughout the West. The Canadian Wheat Board, when it appeared before the Committee pointed out that if the Board were to assume marketing responsibility for rye, flax and rapeseed an amendment to the Canadian Wheat Board Act would be required. The Board also stated that if such an amendment were passed that it was confident that it could handle the added responsibility.

Your Committee understood, however, that a very different type of marketing operation would be necessary to handle the marketing of flax and rapeseed. If the marketing powers of the Board were extended to cover flax and rapeseed it would, in effect, involve the establishment of a completely new operation within the Board.

After due consideration of the representations made the Committee feels that an extension of the Wheat Board jurisdiction into this area could be beneficial for the producer.

This opinion has been reached for the following reasons. First the Canadian Wheat Board now regulates the delivery of rye, flax and rapeseed to country elevators and because of this the producer is frequently not able to take quick action to take advantage of the changing market prices. Second, a single well-established selling agency would insure uniform delivery arrangements and give the Canadian producer the considerable marketing experience of the Canadian Wheat Board. Third, Canadian Wheat Board control would in all likelihood encourage diversity of prairie grain production. Something that should in the long run prove very healthy for the grain industry.

Your Committee therefore recommends that legislation be introduced, after the usual procedures have been complied with, that would extend the jurisdiction of the Canadian Wheat Board so that it would be the sole Canadian marketing agency for rye, flax and rapeseed.

OILSEEDS

Your Committee had impressed upon it, by one of its members, and many witnesses, the importance of rapeseed. Rapeseed is one crop that grows better in Western Canada than in any other part of the world. However, if any greater amount were grown in Canada it is very likely that prices would be drastically affected unless the total market were enlarged.

It is your Committee's view that domestic oilseeds could be used more extensively as a primary oil in Canada. If this were to happen more rapeseed could be grown on the prairies and fewer Canadian dollars would leave Canada to import corn and soybean oil.

It is your Committee's recommendation that the Oilseed Institute be urged to initiate additional research on rapeseed and that the Institute be encouraged to promote the production and marketing of rapeseed and its by-products.

TRANSPORT EXPEDITER

The Committee is of the opinion that the appointment of a Transport Expediter during periods of recent stress performed a useful service in facilitating the movement of grain. It is your Committee's recommendation that the Government give consideration to appointing a Transport Expediter on a continuing basis.

CANADIAN LABOUR (STANDARDS) CODE

It was pointed out to the Committee that the Canada Labour (Standards) Code will pose problems and difficulties to the operation of Country Elevators. It appears that the hours of work of elevator operators varies greatly and that work periods are liable to seasonal and other influences. The Canadian Labour (Standards) Code would fix a maximum work week and provide extension beyond an approved range of overtime only with specific permission of the Federal Government. This would require that someone make themselves responsible for keeping time records of hours worked by country elevator agents.

Evidence before your Committee suggested that supervision for this amount of record keeping would be extremely difficult, particularly in situations where the only man on the elevator location is the agent himself. Were the agent to become his own time keeper it is foreseeable that disputes could arise over the matter of overtime accounting. Evidence seemed to prove to your Committee that the country elevator operator is a part of management. The provisions in the Canadian Labour (Standards) Code affecting rates of pay are not at issue in this difference because present rates of pay exceed the suggested minimum. The elevator companies appear to have a temporary deferment under the regulations provided for in the Act until some time later this summer. After this period they have been advised that they will be expected to comply with the Canadian Labour (Standards) Code.

Your Committee is of the opinion that sympathetic consideration should be given to this special situation. No action, however, should be taken to exempt the country elevator agent from the Canadian Labour (Standards) Code unless the agents themselves have been fully consulted. The exemption, your Committee feels, should be continued until the agents have been consulted.

TOLLS ON THE ST. LAWRENCE SEAWAY

During the taking of evidence, the question of tolls on the St. Lawrence Seaway was brought up repeatedly. Many witnesses were particularly against the idea of tolls on the Welland Canal. It was argued before your Committee that no other inland canal in North America had such user tolls. However, your Committee notes that no other inland canal is used by similar traffic, a fact that few witnesses pointed out.

Your Committee is aware of the large expenditures and capital costs that are involved in the continued proper operation of the Welland and appreciates the concern of the Seaway Authority that at least operating costs should be met.

It is realized that this is a delicate matter and that the policy-maker has to strike a nice balance. Your Committee, however, believes that every effort should be made to insure that tolls be either eliminated or kept to the very minimum.

To your Committee the St. Lawrence Seaway is a very definite continuation of the nation making "*National Policy*" of MacDonald and Laurier. The capital costs involved should, in your Committee's view, be accepted as far as possible as a direct responsibility of the people of Canada.

BOARD OF GRAIN COMMISSIONERS

While in Winnipeg your Committee had a most interesting and enlightening tour of the headquarters of the Board of Grain Commissioners. The work done by this body is considered by your Committee to be excellent and invaluable to the proper operation of the grain trade. In the Committee's opinion the work of the Board has contributed in large part to Canada's lead in the world wheat trade.

Your Committee was not impressed, however, with the cramped and crowded facilities in which the Board is housed. The staff working in the Grain Exchange Building is all the more deserving of credit for the high caliber of work produced in spite of the facilities provided them.

Your Committee recommends that the Board of Grain Commissioners and particularly the Grain Research Laboratory be provided with adequate space for offices and laboratories to facilitate and extend the commendable work being done.

GRADING

Canada is the only wheat exporting nation in the world with such an expert system of grading grain. The work of the Board of Grain Commissioners in this field has won the confidence of the most critical buyers as Canada is the only country in the world selling wheat on certificate. Your Committee heard evidence that there were some four hundred different grades of grain. Some suggestion was also made that this number was too high and that the Board of Grain Commissioners is investigating methods to bring this to a more manageable level.

Your Committee is of the opinion the work planning to minimize the number of grades of grain be encouraged and accelerated.

RESEARCH EASTERN VARIETIES

Your Committee recommends that more research be directed towards the production of new varieties of feed grain for use throughout Canada.

WHEAT RESERVES

Your Committee heard evidence supporting the principle of the Temporary Wheat Reserves Act which provides payments to meet the storage costs of all wheat in public storage at July 31 each year in excess of 178 million bushels.

Your Committee recommends that the Temporary Wheat Reserves Act be amended to provide for payment of storage costs of all wheat in public storage at July 31 each year in excess of 100 million bushels.

Your Committee feels that Canadian Farmers must be encouraged to produce as much top quality wheat as is possible. To your Committee the size of the world population and Canada's relationship as a grain producer to it must be taken into account. So much Canadian grain is sold that there have been very

small carryovers over the last few years. Your Committee does not wish to be pessimistic but would sound the warning that if the Canadian grain crop were to fail, many might go hungry. Self interest also enters the picture for if the Canadian harvest failed, then Canadian customers might and indeed would have to go elsewhere. This is not a recommendation for the creation of a food bank, although your Committee feels that eventually a bank will have to be set up.

Your Committee has it in mind that Canada must be prepared for all eventualities. The wheat reserves of this country must be such that there is a buffer to fill both domestic needs and the immediate needs of our foreign customers.

FEED GRAINS AGENCY

Witnesses appearing before the Committee in Western Canada were concerned somewhat over the role that the Eastern Feed Grains Agency might play. In general all witnesses supported the policy of the Agency. Concern was expressed, however, that a conflict might develop between the Agency and the Canadian Wheat Board if the Agency were to become a feed grains buying Agency as well as being an administrator. Your Committee noted, though, that the Commissioners of the Canadian Wheat Board did not express the same fear.

Your Committee feels that the agency must be given an opportunity to become operational before it can make any recommendations about the fears expressed. Your Committee feels, however, that some attempt should be made to lay to rest the fears expressed by witnesses.

WORK STOPPAGES

In evidence heard by your Committee, considerable dissatisfaction was expressed by the farm organizations and by the Canadian Wheat Board Commissioners about the work stoppages on the railways, among dock workers, and even among terminal elevator employees. It was pointed out to your Committee numerous times that whenever grain stops moving the shut down soon reflects back through the system until eventually the country elevators are filled and the farmer is not able to deliver any more grain. The farmer does not get paid until his grain has been delivered to a licensed country elevator. Thus, large numbers of people are adversely affected. Even more important, waiting overseas customers tend to lose confidence in Canada's reliability as a supplier. A most unfavourable thing in any area as highly competitive as the grain trade.

Organizations advocated to your Committee the establishment of a form of labour management court which would provide compulsory arbitration.

Though your Committee is the Agricultural Committee its members do not disclaim knowledge of the tactics and purposes of striking. Your Committee could not accept such a suggested solution as being desirable at this time. Your Committee does realize, however, that some strikers have abused this great weapon in these last few years and would urge these people to consider how greatly their actions affect their fellow Canadians.

Your Committee is of the opinion that serious disruption of the grain trade has such a far reaching effect on the Canadian economy that studies must be made to find quicker and more efficient methods by which labour disputes might be settled.

PIPELINES

Your Committee heard evidence which indicated that pipelines could be a good method to transport bulk commodities in the future. While your Committee did not delve into the subject too deeply, it is enthusiastic about the possibilities. The problem in development appears to lie in the need for a cheap lubricant.

Your Committee is of the opinion that extensive research should be undertaken into this field to ascertain its practicality.

COUNTRY ELEVATORS

It is becoming urgent that some action be taken to make an overall assessment of the present and traditional method of handling grain at the local level. Evidence before the Committee suggested that the present country elevator system is in large measure outmoded and costly. The whole matter is considered of great importance by your Committee for plans are now being introduced which proposed large scale rail abandonment in Western Canada. The fear many witnesses expressed to your Committee arises out of the fact that large capital expenditures will have to be made in order to update the present elevator system if the proposed rail abandonment is only partially allowed. If haphazard construction of country elevators will lower the return to the producer and raise the cost to the consumer then certainly there is great need for research into construction of future facilities.

The changes in bulk loading and bulk carriers over the last few years in industries other than the grain industry have been very wide. These new methods of handling "bulk cargos" have in many cases been very successful. The carriers of grain and the elevator companies have been very slow to adopt these new techniques over the last few years. In evidence before your Committee it became apparent that attempts might be made to pass the costs of these new capital projects in large part on to the producer and consumer.

This would appear somewhat unfair to your Committee for while a great deal of money has been spent on new capitalization more could and should have been spent on research and the introduction of new grain handling methods and facilities.

If many of the proposed rail abandonments go into effect the farmer will have to haul his produce much further to the country elevator. This will be an added cost to the farmer. The bigger trucks will be a major expenditure for most farmers. In turn these trucks will call for faster and surer trucking routes and these will have to be hard-surfaced, all weather roads. This latter will be a very heavy expenditure and one that will call for help from the Federal Government as well as the Province to insure that the producer does not have to bear the full direct costs.

Your Committee would like to recommend that research be carried out on an urgent basis into the design of the primary delivery country elevators; that consideration be given to placing the siting of country elevators under the control of the Board of Grain Commissioners; and that steps be taken to insure that as much as possible the much needed modernization costs are not all passed on to the producer and consumer.

The additional capital cost allowance on grain storage facilities which ran out December 31, 1966, should be reintroduced for another five years.

GOVERNMENT ELEVATORS

In your Committee's Fourth Report a recommendation was made that all Government owned grain elevators should be placed under the direction and control of one body.

Your Committee while in Western Canada had an opportunity to inspect the Canadian Government terminal elevator at Moose Jaw, Saskatchewan. It is an impressive structure and in excellent condition, however, if nothing else, the unloading facilities are hopelessly out of date. Your Committee feels that the elevator must be updated. Other evidence would suggest that many other Government elevators are equally outmoded. If these elevators are to be of much use, your Committee feels that they must be equipped with the mechanized equipment that the present needs call for.

You Committee would like to reiterate its earlier recommendation that all Government elevators be placed under one management. Further, your Committee recommends that all Government elevators be modernized.

PILOT AREA AND PORTS

As a result of examining the Annual Reports of the Canadian Wheat Board the Committee has come to realize that over the last few years great changes have taken place in the grain industry. Change today is so very rapid that often it is an unsettling thing. Many people, aware of the tremendous strides forward society is taking, have felt that to wait and see what is around the next corner is the prudent thing to do. The result has been that often these people are left completely behind or else are put to very great capital expense to catch up. The Canadian wheat producer is as advanced as any in the world and generally speaking the industry that transports and moves his produce to market is as advanced. Great expenditures are required, however, on newer and better primary delivery points. Railway methods of transport need vast improvement and the harbours of the country, presently running near capacity must be expanded. The changes will be expensive and must be wisely and judiciously introduced.

Your Committee feels that it is the Government's responsibility to insure that the changes that are made are to the producer's and the country's advantage. One of the best methods that your Committee can envisage to insure that

the best and least expensive modernizations are made on the local level would be the creation of two or three pilot projects.

Your Committee feels that steps should be taken to find areas that are at present already grappling with the changing technology and environmental changes these bring. The area should be approximately two hundred square miles in size.

The type of project envisaged cannot be set out in great detail here but your Committee would like the following to be considered. The main purpose of the project would be to produce grain as cheaply as possible and move it cheaply from the field to country gathering points—the elevator—by truck. Farmers would be at the most one hundred miles from the elevator and they would need a proper grid system of roads so as to get to the elevator quickly. The country elevator must not be considered a place of storage but should have storage facilities near it or connected to it. The elevator must be considered as a place from which grain moves by bulk transportation to market or terminal elevators and should be of the most modern type and capable of handling bulk type cars as well as the traditional cars.

The ports will also need changing. At present the unloading facilities of the big elevators are not capable of handling the new bulk type hopper cars. The harbours will need deepening in places to handle the bigger bulk carrier ships. The loading arms at the port terminal elevators are in many cases inadequate.

Your Committee has but slightly skimmed the surface of this subject and knows that a pilot project such as it foresees will need a lot of planning, work and coordination. However, your Committee cannot stress too strongly how important is the need for modernization at the many levels of the grain industry.

VANCOUVER HARBOUR

While in Vancouver your Committee had an opportunity to tour the Vancouver harbour and was most impressed by its potential. Your Committee felt, however, that the harbour suffers from a lack of trackage and handling facilities. It became clear that there are not adequate tracks in Vancouver to spot enough cars at elevators to enable the elevators to operate at a satisfactory level of efficiency.

Your Committee strongly recommends that the Government and Canadian Wheat Board encourage the railway companies to speed up their plans for new track in the Vancouver area and the improvement of the trackage already there. Your Committee feels it would be desirable to coordinate all harbour and handling facilities for maximum efficiency.

SUMMARY

While examining the Annual and Supplementary Reports of the Canadian Wheat Board your Committee came to appreciate the tremendous work being done by the people in and connected with the grain trade. Your Committee

cannot say less than that they are a definite asset to the whole of Canada. The amount of investment in terms of capital and man-hours is most impressive.

Your Committee has come to the conclusion that while the Canadian Wheat Board is officially charged with the marketing of wheat it should involve itself in other facets of the trade. It is realized that the Wheat Board cannot interfere directly in other areas of jurisdiction but it should be able to use judicious methods to put across points and ideas that come to it. For example, the equipment at Moose Jaw is, in many respects, out-of-date and thus expensive in terms of labour. The Board could encourage modernization and utilization. In fact it should, for when that elevator is used now, the producers lose money. The same reasoning applies to the conditions of the railways and the ports. Anything that lowers the return to the producer is definitely a concern of the Board.

* * * *

A copy of the relevant Minutes of Proceedings and Evidence (*Issues Nos. 27 to 33*) is tabled.

Respectfully submitted,

Eugene Whelan,
Chairman.

MINUTES OF PROCEEDINGS

MONDAY, April 24, 1967.

The Standing Committee on Agriculture, Forestry and Rural Development having been duly called to meet at 11.30 o'clock a.m. this day, the following members were present: Messrs. Clermont, Côté (*Nicolet-Yamaska*), Forbes, Herridge, Hopkins, MacDonald (*Prince*), Moore (*Wetaskiwin*), Nowlan, Olson, Peters, Schreyer, Whelan.

Also present: Mr. LeBlanc (*Rimouski*).

There being no quorum by 11.55 o'clock a.m. the Chairman, Mr. Whelan, postponed the meeting to later this day.

AFTERNOON MEETING

The Standing Committee on Agriculture, Forestry and Rural Development having been duly called to meet at 4.00 o'clock p.m. the following members were present: Messrs. Clermont, Crossman, Forbes, Gauthier, Lefebvre, MacDonald (*Prince*), Muir (*Lisgar*), Olson, Peters, Schreyer, Whelan.

There being no quorum by 4.40 o'clock p.m. the Chairman, Mr. Whelan, postponed the meeting to another day.

TUESDAY, April 25, 1967.
(45)

The Standing Committee on Agriculture, Forestry and Rural Development met *in camera* this day at 11.15 o'clock a.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Beer, Berger, Coté (*Nicolet-Yamaska*), Crossman, Danforth, Ethier, Forbes, Godin, Herridge, Hopkins, Jorgenson, Lefebvre, MacDonald (*Prince*), McKinley, Moore (*Wetaskiwin*), Neveu, Nowlan, Peters, Roxburgh, Schreyer, Stefanson, Tucker, Watson (*Assiniboia*), Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan, Yanakis (26).

The Chairman read to the Committee a letter received by the Clerk of the Committee on April 18, 1967 from Mr. J. E. McCannel, President of the Winnipeg Grain Exchange, protesting certain parts of Appendix 1 of the Minutes of Proceedings and Evidence of December 9, 1966 and which appeared in issue number 27.

After discussion, it was moved by Mr. Danforth, seconded by Mr. Jorgenson,

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Agreed,—That a special meeting of the Committee be called to discuss the matter and that copies of the letter from Mr. McCannel be distributed to the members of the Committee at that time.

The Chairman informed the Committee that the Subcommittee on Agenda and Procedure had met and wished to report;

Your Subcommittee has the honour to submit the following as its

SEVENTH REPORT

Your Subcommittee met on Friday, April 21, 1967 and wishes to present a draft Report to the House.

The Clerk of the Committee distributed copies of the "draft report" to the members present.

The Chairman proceeded to read the draft report and discussion arose. Several amendments were made.

Later, progress having been made, it was

Agreed,—That the Committee sit later this day.

Discussion on the draft report continuing, the Chairman adjourned the meeting at 12.45 o'clock p.m. until 4.00 o'clock p.m. this day.

AFTERNOON MEETING
(46)

The Standing Committee on Agriculture, Forestry and Rural Development reconvened *in camera* at 4.35 o'clock p.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Beer, Clermont, Comtois, Côté (*Nicolet-Yamaska*), Crossman, Danforth, Forbes, Herridge, Hopkins, Jorgenson, Lefebvre, McKinley, Moore (*Wetaskiwin*), Muir (*Lisgar*), Noble, Peters, Schreyer, Stefanson, Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan (20).

Also present: Mr. Lind, M.P.

The Committee continued consideration of the draft report and several amendments were made.

The Chairman informed the Committee that he had to leave and asked Mr. Clermont to take the Chair for the balance of the meeting.

Later, after progress being made, it was

Agreed,—That two meetings be called on Wednesday, April 26, 1967 in the afternoon and evening.

Discussion on the draft report continuing, the acting Chairman adjourned the Committee to the call of the Chair.

THURSDAY, April 27, 1967.
(47)

The Standing Committee on Agriculture, Forestry and Rural Development met *in camera* this day at 3:15 o'clock p.m. The Chairman, Mr. Whelan, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Clermont, Côté (*Nicolet-Yamaska*), Forbes, Herridge, Horner (*Acadia*), Lefebvre, MacDonald (*Prince*), McKinley, Moore (*Wetaskiwin*), Muir (*Lisgar*), Neveu, Noble, Schreyer, Stefanson, Tucker, Watson (*Assiniboia*), Whelan 18.

The Committee continued discussion of the draft report. Several amendments were made and later a final draft of the report to the House was *agreed* to.

On motion of Mr. Clermont, seconded by Mr. Herridge, it was

Agreed,—That the Chairman report the final amended report to the House as the Committee's Sixth Report.

There being no further business at 5:55 o'clock p.m. the Chairman adjourned the meeting to the call of the Chair.

MONDAY, May 8, 1967.

The Standing Committee on Agriculture, Forestry and Rural Development having been duly called to meet at 9.30 o'clock a.m. this day the following members were present: Messrs. Clermont, Herridge, MacDonald (*Prince*), Peters, Schreyer, Tucker and Whelan.

There being no quorum by 10.06 o'clock a.m. the Chairman postponed the meeting to the call of the Chair.

Michael B. Kirby,
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