



Second Session — Thirty-Second Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

AGRICULTURE

31-32 Elizabeth II

Chairman
Mr. A. Anstett
Constituency of Springfield



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
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FILMON, Gary	Tuxedo	PC
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GRAHAM, Harry	Virdeon	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
HYDE, Lloyd	Portage la Prairie	PC
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KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOVNATS, Abe	Niakwa	PC
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MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte	Gladstone	PC
ORCHARD, Donald	Pembina	PC
PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PARASIUK, Hon. Wilson	Transcona	NDP
PENNER, Q.C., Hon. Roland	Fort Rouge	NDP
PHILLIPS, Myrna A.	Wolseley	NDP
PLOHMAN, John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
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STORIE, Jerry T.	Flin Flon	NDP
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WALDING, Hon. D. James	St. Vital	NDP

**LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON AGRICULTURE**

Friday, 22 April, 1983

TIME — 10:00 a.m.

LOCATION — Arborg, Manitoba

CHAIRMAN — Mr. Andy Anstett (Springfield)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Bucklaschuk, Plohman, Uruski and Uskiw

Messrs. Anstett, Harapiak, Manness and Orchard

WITNESSES: Mr. Allan Chambers, Manitoba Cattle Producers' Association

Mr. William Halibura, L.G.D. of Armstrong

Mr. Charles Mortimer, General Manager, Norman Regional Development Corporation (Thompson, Manitoba)

Mr. Alfred Thompson, Private Citizen

Mr. Einar Vigfusson, Private Citizen

Mr. Eric Fridfinnson, Arborg Pool Committee, and Private Citizen

Mr. Jacob Dern, Private Citizen

Mr. Brian Podaima, Broad Valley & Fisher Branch Pool Local

MATTERS UNDER DISCUSSION:

Western Transportation Initiative proposed by the Government of Canada

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MR. CHAIRMAN: Ladies and gentlemen, the purpose of this meeting is to consider a resolution passed by the Legislative Assembly of Manitoba on March 15, 1983. I would like to welcome you all to this meeting. It's part of a series of seven meetings being held throughout Manitoba on the Western Transportation Initiative. As you came in the door, I hope you all picked up a copy of the resolution and an attached appendix dealing with the Federal Western Transportation Initiative.

The resolution provides the authority to this committee to hold these hearings and report back to the Legislature. It reads as follows:

WHEREAS, on February 22, 1983, the Saskatchewan Legislature unanimously passed the following resolution:

Because the proposals advanced by the Minister of Transport for Canada to replace the statutory Crow rate:

1. Do not recognize the principles of the statutory rate for grain;
2. Do not provide cost protection for farmers;
3. Do not recognize that grain must be sold in a competitive international market;

4. Do not remove the distortion in rates by including all prairie crops and their products under the new structure;
5. Do not deal with unacceptable high taxation levels on farm input such as fuel;
6. Do not provide sufficient performance guarantees for the future growth and development of all facets of prairie agriculture;
7. Prescribe an unacceptable limit of 31.1 million tonnes for subsidized shipments;
8. Provide central Canada with further artificial processing and livestock incentives; and
9. Are not supported by a consensus of Western Canadians.

And because these are fundamental concerns and must be dealt with in any plan for the western rail transportation system, this Assembly therefore rejects the Pepin plan.

AND THEREFORE LET IT BE RESOLVED that the Legislative Assembly of the Province of Manitoba concur in the above resolution passed by the Saskatchewan Legislature; and

BE IT FURTHER RESOLVED that the Standing Committee on Agriculture of the Legislature be authorized:

- (a) To enquire into matters relating to the Western Transportation Initiative proposed by the Government of Canada;
- (b) To hold such public meetings as the committee may deem advisable;
- (c) To report to this Session of the Legislature.

The Federal Western Transportation Initiative is printed on five pages before you just as a fact sheet to list the component parts of that Initiative. Rather than read through that as we have done at some meetings in the past, I'll leave it to each of you, since you have a copy, to peruse it at your leisure.

The Federal Western Transportation Initiative

1. The Federal Government will implement the principle recommendations of the Gilson Report for the four-year period, 1982-83 through 1985-86.
2. The Federal Government has defined the Crow Benefit Payment as representing the difference between the amount paid by producers, under the Crows Nest Pass Rate, and the actual cost of moving grain during the crop year 1981-82 and has calculated it to be \$651.6 million. The average Crow rate was \$4.89 per metric tonne for the Prairie region and \$3.65 per metric tonne for Manitoba.
3. Starting in the 1983-84 crop year, producers will pay
 - (a) The total cost of any future volumes of

- grain and grain products exceeding 31.1 million tonnes;
- (b) The first three percentage points of railway cost increases due to inflation in the crop years 1983-84, 1984-85 and 1985-86;
 - (c) The first 6 percentage points of railway cost increases due to inflation for the crop year 1986-87 and beyond.
4. Blended freight rates set by April 30th of each year for the following crop year by the Canadian Transport Commission, after consultation with grain shippers and railways.
 5. Freight rates will remain generally distance related.
 6. (a) Under the Gilson recommendation, the federal contribution will be divided between the railways and the producers. In 1982-83, 100 percent of the federal contribution will go to the railways. After that the proportion paid to the railways will decrease over time to a minimum of 19 percent by 1989-90. In 1989-90, 81 percent will be paid to producers.
(b) The method of paying the government contribution will be that recommended by Dr. Gilson, but the method will be reviewed in 1985-86, when the split is approximately 50 percent to each party. Parliamentary approval will be required to continue any further progression of payments to the producers.
 7. Payments to producers will be on an acreage basis, including cultivated acreage devoted to non-Crow crops and to Crow grain used on the Prairies, not on the basis of tonnes of Crow grain shipped by rail. Since this would mean less money per tonne of grain shipped, the Federal Government will pay the producers an additional \$204 million for the crop years 1983-84 to 1985-86, as an agricultural adjustment payment. The Federal Government will commit an additional \$56 million after 1985-86, if the phased payments continue to 1988-89.
 8. Canola oil and meal and linseed oil and meal will be included under the new statutory rate regime in 1983-84. For the crop year 1982-83, these products will be assisted through an existing program in the absence of legislation that will pay the difference between the statutory rate and the current minimum compensatory rate west of Thunder Bay. However, the Federal Government believes the commercial rates for these products beyond Thunder Bay to eastern markets should be established. Currently the railways charge a lower minimum compensatory rate on these products.
 9. A new grain transportation agency will be established to perform the current duties of the office of the grain transportation co-ordinator and will have an enlarged mandate, including car allocations, performance and service guarantees, and improved efficiency and capacity in the transportation system.
 10. The Canadian Transport Commission will undertake the necessary major costing reviews every four years in consultation with grain shippers and railways.
 11. The Federal Government will purchase up to 3,840 more hopper cars over the next three fiscal years. Timing of the purchases will be made with the advice of the new grain transportation agency.
 12. The Federal Government will commit an additional 670 million to branch line rehabilitation this decade. The future of the Branch Line Rehabilitation Program will be reviewed in 1985-86.
 13. In accordance with the Gilson Report, the railway compensation of 100 percent of the long-run variable costs with a 20 percent contribution to overhead costs will be phased in.
 14. The railways will receive 313 million for the crop year 1982-83 as a payment towards their shortfall in revenues in that year.
 15. Cost savings due to branch line abandonment or acquisition of government hopper cars will accrue to the Federal Government and shippers.
 16. The Federal Government has agreed to extend special additional capital cost allowances to the railroads for investment in railway assets during the period January 1, 1983, to December 31, 1987.
 17. In return for the implementation of the new rate regime on grain and the extended capital cost allowance, the two railroads have indicated they will:
 - (a) Increase investment in 1983 in Western Canada by 242 million and investment in Eastern Canada by 33 million;
 - (b) Increase investment in the period 1984-87 in Western Canada by \$2.592 billion and investment in Eastern Canada by \$395 million;
 - (c) Meet specific grain transportation performance and branch line maintenance obligations.
 18. Under Industrial and Economic Development Initiatives, the Federal Government will commit \$75 million over the next five years to:
 - (a) Develop railway equipment manufacturing industry;
 - (b) Develop processing of agricultural products in Western Canada;
 - (c) Assist suppliers of equipment and material for future resource development projects in Western Canada;
 - (d) Assist western firms to develop new products and improved productivity and competitiveness.
 19. Under Agricultural Development Initiatives, the Federal Government will undertake a five-year \$175 million package of agricultural development initiatives, including:
 - (a) Improving local feed grain self-sufficiency

- in non-Canadian Wheat Board designated areas of Canada;
- (b) Assistance to farms and farm organizations for activities leading to improved sustainable increases in production of grains, livestock and special crops in the designated area of the Canadian Wheat Board;
 - (c) Assistance to the food processing industry in Quebec;
 - (d) Soil and water conservation research in the Prairie provinces;
 - (e) Development of a crop information system by Agriculture Canada;
 - (f) Development of an electronic marketing system by Agriculture Canada.
20. In 1985-86, the Federal Government will review the following:
- (1) The sharing of grain transportation costs between producers and the Federal Government.
 - (2) The system of payments to producers and progressing reducing distortions in the western agricultural economy.
 - (3) The possible impact on eastern agriculture.
 - (4) The system of railway performance guarantees.
 - (5) The freight rates required to provide appropriate compensation to the railways.
 - (6) The future of the Branch Line Rehabilitation Program.

Before we begin our meeting today with the presentation of briefs, I'd like to take this opportunity to introduce to you the members of our committee.

On my far right, the Honourable John Plohan, Minister of Government Services and MLA for Dauphin; beside him, Mr. Harry Harapiak, Member for The Pas; beside him, the Honourable John Bucklaschuk, Minister of Consumer and Corporate Affairs and Co-operative Development. He's also the Member for Gimli. Beside John, your local MLA here, the Honourable Billie Uruski, Minister of Agriculture.

On my left, Mr. Clayton Manness, the Member for Morris; beside Clayton, Mr. Don Orchard, the Member for Pembina; immediately beside me, the Honourable Sam Uskiw, Minister of Highways and Transportation and MLA for Lac du Bonnet.

My name is Andy Anstett. I'm the chairman of the committee and the MLA for Springfield.

If anyone does not have a copy of the Western Transportation Initiative or the resolution, the Clerk has additional copies. In addition, if any of you wish to receive copies of the transcript of this meeting and the other six meetings we're having on this subject around the province, please register with the Clerk at the table on my left and she will ensure that when the meetings are complete, you will receive a copy of the complete transcript in the mail.

People who've registered to appear before the committee this morning, are: Mr. Allan Chambers, Manitoba Cattle Producers' Association; Mr. Charles Mortimer, General Manager of the Northern Development Corporation; Mr. Alfred Thompson; Mr.

Einar Vigfusson; Mr. Eric Fridfinnson; Mr. Jacob Dern; Mr. Brian Podaima, on behalf of the Broad Valley and Fisher Branch Pool Local.

Is there anyone else here today that did not register with the Clerk, who wishes to make a presentation to the committee? Would you please come forward to the mike and give your name please?

MR. W. HALIBURA: William Halibura, Reeve of Armstrong.

MR. CHAIRMAN: William Halibura. Do you represent any organization, sir?

MR. W. HALIBURA: Armstrong, the Municipality of Armstrong.

MR. CHAIRMAN: Thank you.

MR. W. HALIBURA: I have another meeting scheduled at one o'clock in our council, so I would like to heard before then, but I'm not yet ready to give my presentation.

MR. CHAIRMAN: Okay, thank you. Is there anyone else? Seeing none, I'll call on the first person to register, Mr. Allan Chambers.

Mr. Chambers, please.

MR. A. CHAMBERS: Thank you, Mr. Chairman. I would like to welcome all of the members of your committee to God's country as far as agriculture is concerned, particularly those people from the southern part. Some people call it "Uruski country" and there's only a very small difference in the people's minds.

A MEMBER: Between God and Billie?

MR. D. ORCHARD: How much did that cost you Bill?

MR. A. CHAMBERS: I'm going to say a number of nice things about the Minister of Agriculture because I don't want him picking on me like he has so many times in the past.

Actually, the cattle producers in the Interlake do have a lot of respect, in all seriousness, for Mr. Uruski, and the efforts he has made on behalf of the industry and particularly in the last year with the introducing of the stabilization plan.

I want to confine my remarks this morning strictly from the perspective of the livestock and the cattle industry. I only intend to just discuss those reasons why the cattle producers felt they needed to be involved in this discussion over the last few years.

In years of good grain movement when there has not been a surplus problem and the grain moving out of the prairie region moves at the present subsidized rates, the effect has been to raise the effective cost to prairie grain users of all types, but including the prairie feed users. The present effect is to raise the price about 50 cents per bushel to feeders in most of Manitoba and in this our area as well.

Finished cattle and meat products move at the full compensatory rate which has been increasing rapidly the last few years because of inflation. Over time, this

has the effect of slanting the economics against the finishing and feeding of feed products in Manitoba and in this region, and over time has the effect of gradually moving the finishing industry out of the prairie region.

In two or three years out of 10 in the past, that has not been the case. There are years - either back in the late '60s and early '70s - when the Wheat Board was priced out of the world market, there was surplus piled up and feed grains sold locally at a very depressed price often depressed more than the Crow differential, and once or twice since then because the rail capacity of the system couldn't move our grain out of the prairie region in sufficient quantities, again we had a situation where the feed price on the prairies dropped because of competition among farmers most desperate to move their surplus feed. In those years, there's been a major advantage to the feed grain, livestock and feeding industry in the prairies, in that large amounts of feed grains were available at very depressed prices. Now, if nothing is done and no initiative is taken in transportation, it's probable that those kinds of events will occur at least as frequently, if not more frequently than in the past.

From the feed grain users perspective on the prairies, we had some interest perhaps in seeing that nothing happens to the western grain transportation system. The facts are that we have not taken that position. I think not just because of better side of our personalities, but we, in many cases - my case in particular and in the majority of the Board members of the Manitoba Cattle Producers - we are also grain producers; in many cases, probably the majority also, the grain is a more important part of our farms in terms of potential income than livestock production. So we have joint interests, if you like.

The other side of it is that there's periodic grain glut and the resulting depressed prices have had a number of bad side effects I think. If you look back at the conflicts in the farm community over feed grain policy, it's occurred in those times of stress and that's generally when the so-called split occurs in farm policy between the grain growers and grain consumers on the prairies. I, personally, don't think that's a healthy situation.

The other bad side effect is that in those years when there are great piles of barley around at low prices, we have often seen overexpansion in hog barns and feed lots that are essentially there to eat up that surplus; then when the situation changes, we often have had overcapacity in both those sectors. I think a much more gradual and even expansion of the livestock industry would be much healthier. This expansion of feed lot capacity periodically and this depressed feed grain prices have had the effect of creating wide swings in the feeder cattle market as well. Very often if you look at the swings in prices are countered, these extremely depressed feed grain prices, you get very high feeder prices which sends out false signals, if you like, to the cow-calf sector and overexpansion there and then problems down the road.

So as a result of these factors the Manitoba Cattle Producers have consistently taken the following two positions; firstly, that major subsidies are needed to expand the western grain transportation system for the benefit of the grain producer. We presently support the injection of 3.7 billion of federal dollars by 1985-86 and for continued federal support of the grain producer.

Secondly, we simply have a position that subsidies be applied in a manner that is not harmful to western grain users.

I want to comment that we have never been hung up that it had to be direct payments on the basis of an acreage base. Prior to the Gilson process starting and the original federal announcement, the cattle producers had developed a position paper that had urged direct payments on the basis of historic grain sales as a way of distributing the federal subsidy. There are problems with that proposal, obviously. I won't go into details, but during the Gilson process it was felt there were more problems with that than the acreage payment as proposed by the Commodity Coalition. I just try to make that we have never been hung up on any particular method of payment. We simply were adamant that the federal subsidy to support the western grain producer not be applied in a way that would hurt our industry.

At the beginning of the Gilson hearings, as I'm sure you are well aware, there were two serious possibilities being discussed in the west as to how the payment should be made. There was the payment direct to producers as proposed by the Western Commodity Coalition; secondly, the payment to the railroads with a series of additional programs to attempt the removal of price distortions. This was proposed by the Western Agricultural Conference.

The Western Agricultural proposal on feed grains was to make them available at the elevator at Thunder Bay price, less the compensatory freight costs. It was a problem that most people saw previous to Gilson, but during Gilson it was pretty well agreed that this could not work because of the impossibility of stopping a cycling of grain in and out of the elevator.

Later last summer, the Pools proposed the WREF Program. It had a major plus, in that it recognized the problem which I have just been outlining to you, the distortion effect that the payment to railroads could have on the livestock industry. It would have shifted emphasis of the subsidy to the livestock producer and it was discarded fairly quickly because of the political and administrative difficulties of adopting it. I would say that the cattle producers certainly would have been in favour of that proposal if we felt that it had been a viable one. It would have had a chance of, in fact, working through the system.

This time, the proponents of pay-the-railroad really have no proposal on the table for removing the distortions on feed grains. We've gone back to arguing that they're unimportant or attacking the specific projections on the livestock production levels.

This morning, I sat down and did a bit of calculation - I got up maybe before some of you gentlemen, I don't know. I was a little surprised yesterday during the presentation when Mr. Uruski seemed to take the tack that I've just mentioned - now you understand why I made the nice comment earlier, Bill - that in fact these distortions weren't important to the livestock industry. Maybe I'm putting words in your mouth and you can correct me. I sat down and I thought I would do some work on the effect on the Manitoba producers that are in the stabilization program that we developed this last year in Manitoba to help maintain the beef cattle industry in the province and also to try to encourage as many of those feed people as possible to feed their

cattle out. I think we're having some success in that direction. I took the Manitoba Stabilization Board's budget form as to how much barley they're making their calculations on. I applied the difference in price that would result to the price of barley in Manitoba in each of the following years according to the phase-in formula that Gilson adopted and which the government has agreed to until 1985-86.

In this coming year the difference per animal fed would be \$12.20 per animal in the cost of finishing that animal. The following year it would be \$14.60 per animal and in 1985-86 when we're halfway to the phase-in that Gilson projected, the difference in cost to finish an animal under the Beef Stabilization Program would be \$17.40.

I took a projection of 250,000 head as being possibly fed under this program. Over those three years that would mean a difference in cost somewhere in the system of \$11 million. Now, as it's presently constituted if the price of beef does not get above the support program, that \$11 million will have to be put into the program by the Provincial Government.

I look both at the Minister and at Mr. Uskiw. I hear this morning that Mr. Uskiw was \$10 million short for his highway program. It seems to me that I've just found you some money.

That's not quite correct, though, because, of course, eventually the producers will have to pay that through the fee structure so that indeed the difference in the cost for those producers who are now in the Manitoba Beef Stabilization Program with the phase-in of payments that we see the next three years, the difference in cost to them will be \$11 million if we have the phase-in or whether we don't, if some of my projections are anywhere accurate.

Just very roughly, the difference in cost to Manitoba hog producers will be about \$12 million and we'll go through the calculation.

If the phase-in continues as recommended by Gilson and which is not very clear in the federal legislation, the difference per animal by the end of the phase-in till 80 percent of the federal subsidy is going direct to farmers, the difference in the net price to the people buying the barley will be \$27.84 per head. Multiply that by 250,000 and that would amount to 6.96 or almost \$7 million in last year given today's numbers of cattle in Manitoba.

Now, I don't know if that will affect how many cattle are produced in Manitoba or not, these changes in numbers. There has been some discussion as to whether the federal projections on numbers in increase are accurate or not. It certainly is going to more favorably move livestock producers in the direction of maintaining their herds and doing more feeding than they would otherwise do in Manitoba.

I just want to comment that when we were setting up the stabilization program, the Manitoba Stabilization Program, we attempted to develop price levels or guaranteed insurance levels that we thought would not be an incentive to production. Now, it's too early to have any numbers come forward but if I can read the mood of my neighbours I think we probably are having an upward effect on the number of cattle. We certainly didn't set them at incentive levels where people could make a vast profit by any stretch of the imagination, but we have changed the economics on the bottom

end of the cycle and taken that fear of the extreme losses away from them and I think that has affected their decision-making. I suspect that these kind of changes will affect their decision-making to a degree as well.

You might be interested that in Crop District 12 which is most of the Northern Interlake, in 1981, we have 61,700 beef cows in this district. Of course, as most of you are well aware, a lot of that is ranching area. It's by far the biggest number of cows by crop district in the province and not all those people are going to move to finish their cattle. Those that do in the ranching area will have to truck in their grain, but if you take a more moderate estimate of how many of those cows will end up raising steers that are finished on those farms or at least in this crop district and say that 20,000 head were finished out of those 61,000 cows, the difference in cost to those producers in 1984 would be \$244,000; by 1986 the difference would be \$348,000 and by the end of the phase-in, if indeed it continues, it would be \$556,000.00.

Now this has nothing to do, in any way, with whether or not the federal subsidy is large enough to compensate the grain producer for increasing cost. It's simply a question of how the method of payment is done, if the difference in cost to those livestock producers, if the payment is made direct to the railroads versus if it's made direct to the producer in some way. I hope I make it very clear that the difference a method of payment makes, does not impinge in any serious manner on the profit and cost to the grain producer.

Manitoba cattle producers do have a major concern with the Federal Government's proposal. It would be ideal if all the government monies would go direct to producers immediately to remove all the distortions in the system.

During Gilson a compromise was developed. They visualized a phase-in to the farmer payments of a portion of the government's subsidy. Realizing that compromise was necessary to get agreement, the cattle producers supported the Gilson proposals. We were very distressed that some parties subsequently moved away from supporting that compromise. We view with a great deal of alarm the further movement away from the clear intention to remove major distortions in the Pepin proposals. It is now proposed to require an additional legislative initiative to continue the phase-in after the review period in 1985-86.

I just want to discuss a little bit about the true degree of distortion in the system by 1985-86. The federal money spent on branch line rehabilitation and hopper car purchases will not be reflected in the new freight rates and therefore have the same effect as payments direct to railroads. They represent about three times the present Crow. The 651 million of payments to close the current gap represent four times Crow. By 1985-86 they are to be paid 48 or 50 percent direct to producers at freight rates adjusted up accordingly. Thus of a total real cost of hauling grain of eight times Crow, by 1985-86 the railroads will still be receiving five times Crow in direct subsidies in the freight rate and therefore the removal, the distortion, will represent three times Crow. There will remain five-eighths of present price distortion against prairie grain users.

It is unlikely that this degree of change will affect in a major way in that short time livestock producer

decisions. Without a clear understanding that the phase-in will continue, the prairie livestock industry may very well be better off with the present situation, as I mentioned, the periodic surpluses and low prices.

Even with the full Gilson formula of about 81 percent of the 651 million going direct to producers yearly, about three and a half Crow of the present price distortion will remain in the system. Of course, it will be a considerable improvement over the present. I just want to say we don't view that as any kind of a major positive incentive to vastly increase livestock production. It's simply a move back to what we would consider a neutral situation - a removal of disincentives rather than a creation of a large number of positive incentives, and I think there's an important distinction between the way of looking at it.

The Alberta Government has called for the Federal Government commitment to the Gilson phase-in formula to be made much clearer. From the cattle producers' perspective in Manitoba, we would like to see a similar change and we would hope that your committee will see fit to make that as one of your recommendations. Thank you.

MR. CHAIRMAN: Thank you, Mr. Chambers. Are there questions from members of the committee for Mr. Chambers?

Mr. Manness.

MR. C. MANNES: Mr. Chairman, I'd like to ask Mr. Chambers - he made the comment that as long as payments would not be made in a way that would hurt their industry - I think he made that comment, I would ask, how would not sharing at all in the payment hurt your industry market share-wise? I can see how, naturally, if you received, if you're able to purchase feed supplies at a lower value it would help on the income side. But how would not sharing at all hurt your industry market share-wise, given that, I believe, the Crow rate has done its damage to your industry; and bearing in mind that I believe that prairie producers have the best comparative advantage in supplying the prairie region with red meats? How would you be hurt any further than you already have been, by the fact that you do not share in the Crow benefits?

MR. A. CHAMBERS: Well, we still, of course, have a very major beef cattle industry on the prairies. It's major in Manitoba, of course, as you well know. It's very major in Alberta. We are presently moving a large number of feeder cattle to the east and we finish there. That's one of the purposes of the Stabilization Plan, is to try and get more of those fed here and ship the meat down, rather than the feeders and the grains.

If the relative cost of feeding continues to increase in the prairies, it'll continue to counteract the efforts that are being made there, and as you're well aware, there are feedlots closing right and left in Manitoba at the present and we can see that trend continuing. The other side of it is that we are, in Western Canada, shipping a large amount of meat to the U.S., and again if our costs, vis-a-vis the competition right across the border continue to rise with the spread in inflation, we'll become less competitive. Now this will not apply particularly to Manitoba, but applies more particularly

to Alberta. We've become less competitive in moving the meat from those feedlots down in California, and so on.

I just have with me the numbers of exports to the U.S. over the last 10 years actually. I'll just give you the numbers for the last five years, since 1978, the numbers in millions of pounds of exports to the U.S. have gone from 61 to 79.9 to 100.2 to 121.7 and up to 125.4 million pounds of exports to the U.S. In the last year we imported from the U.S. only 15.5 million pounds. Now, it's almost balanced off with imports from Australia, but we still had a net surplus of exports over imports of 14 million pounds in the last year. We've seen this gradual increase of movement of meat, and particularly, from the west to the U.S.

I don't know if I've answered your question or not.

MR. C. MANNES: Well, in part you have and I just then ask you one final one. What you're saying is that we are still a sizable exporter of red meats, and that indeed, we still have a lot to lose if this distortion is not removed. In any year - we haven't any number of years, when we have great success in moving all our grain production to world export markets, that indeed, our relative cost compared to other markets increases, and therefore, we stand a great chance of losing our export share. Is that a correct assessment?

MR. A. CHAMBERS: Yes, very well put.

MR. CHAIRMAN: Further questions? Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Yes, through you, Mr. Chairman, to Mr. Chambers, the position that you've stated this morning is the position of the Manitoba Cattle Producers' Association?

MR. A. CHAMBERS: Yes.

HON. J. BUCKLASCHUK: Now, how is that position determined? Was that done by the executive of the association, or in consultation with the membership?

MR. A. CHAMBERS: There has been a resolution, probably for the last four years in a row, at our annual meetings endorsing this general position that we would support Federal subsidy to the grain industry, but that we would attempt to develop a system that would not be detrimental to our own industry. Over the last two years, as the Gilson process developed and our last annual meeting was after the Gilson process had reported and we adopted a resolution that was more specifically in line supporting the general principles outlined in the Gilson report.

HON. J. BUCKLASCHUK: Yes, what was the last time that you consulted with your membership on the position you've stated today?

MR. A. CHAMBERS: Last December at our general annual meeting.

HON. J. BUCKLASCHUK: Do you have recent . . .

MR. A. CHAMBERS: In a direct way. Now, of course, we have 14 directors around the province and we have

regular meetings, and it's part of their job to report as best they can, the feeling of their local membership and reflect that in our decisions.

HON. J. BUCKLASCHUK: Might you have any reason to suspect that the support for that position might have changed in the last two or three months?

MR. A. CHAMBERS: No, we have no indication of that.

HON. J. BUCKLASCHUK: Okay, I raise this just in the context of the briefs that we had presented last night. I recall about 11:00 last night we had a person presenting a brief, who is a member of the MCPA, and he had indicated that of the nine fellow members that he had discussed this Pepin plan with, not one of them was in support of it. So that's the reason I ask for that.

MR. A. CHAMBERS: Firstly, I compliment you for being wide awake at 11:00 o'clock last night after your long day . . .

HON. J. BUCKLASCHUK: It took a bit of effort.

MR. A. CHAMBERS: . . . and I would not want to give you the impression that the 11,000 members of the Manitoba Cattle Producers' endorse our stand overwhelmingly. Absolutely not. There are many cattle producers in my own district that don't agree with that particular stand. That's true of probably every farm organization in the province. The Manitoba House, of course, adopted a resolution unanimously recently and I doubt very much if you ran a survey of the farmers of the province, before voting on that, I'm sure there are many farmers of the province who don't support the specifics of that resolution also.

HON. J. BUCKLASCHUK: Yes, I want to take a look now at the potential market for red meats. Let's first of all, take a look at the domestic market. It seems to me that when the Gilson report came out that there was some optimism that the beef industry would increase in Western Canada, but when we had the Pepin plan announced just a few months ago, and I can refer specifically to material that was provided at the announcement on, I believe, February 1st, one of the things that was discussed was this \$175 million investment by the Federal Government to develop the agricultural, they call it the Agricultural Development Initiatives. I referred to this yesterday because I've now been able to tie it in precisely to what it's all about.

Now I think a lot of people were under the impression that this \$175 million would be used to expand food technology and livestock production and so on, particularly in Western Canada. Interestingly enough the announcement had been made February 1st, in Montreal, by Agriculture Minister, Eugene Whelan, and Consumer Affairs Minister Andre Ouellet.

Some of the components of the agricultural development initiative were on-farm demonstrations and technology transfer related to diversify deficient crop and livestock production; new equipment and technology development related to new food products; Canada-wide electronic commodity trading systems; computerized marketing information systems; all those fine things.

But as I referred to this Canadian Poultryman magazine yesterday, 150 million of that was to be spent in Quebec. Now if there is all this emphasis on food production, increased meat production aimed at Quebec how was that to be of some help to the western producer?

MR. A. CHAMBERS: Well, there was 175 million as you mentioned. My understanding is that there's 125 which will be spent in Eastern Canada. That is east of the Manitoba border.

As I think was pointed out to you yesterday the 150 referred to has folded in some other federal programs to come up with that number. I understand there's 50 million to be spent of that particular money in Western Canada to develop particular initiatives in agriculture.

We have a committee within the cattle producers who are working with the federal staff in Manitoba to attempt to co-operate on a computerized, a marketing system for Manitoba and Saskatchewan. We've had a number of discussions already with the Saskatchewan stabilization board and there'll be, in time perhaps when the Manitoba board is ready to look at this if we can make it work, this could proceed.

So there is some money being spent in the west of that but - and I can make a personal comment if you like - it's quite clear, I don't think it's any surprise to any of us about the political situation in this country, the Quebec farm organization is extremely well organized, has a very effective lobby and they've got really up in the air over the effect the Crow change might have on them.

Most of their concerns are based on misinformation and emotion but nevertheless, when you get a mass emotional outburst going, they've been very successful at stirring up the troops in Quebec. It's quite clear that the Federal Government tried to tone down some of that criticism with \$125 million. Well not all that to Quebec but probably close to 90 million being spent specifically in Quebec on this initiative.

We don't think that the increase, or the maintenance, or any increase that may take place in beef and hog production in Western Canada will directly affect a Quebec producer. The changes will not affect the price of feed grains in Quebec. It will affect them to the degree that we are more competitive, that our producers have become slightly more competitive. As I've indicated, and has been discussed before, we suspect that a lot of this increase is going to go to export markets in the U.S. rather than, particularly muscling in on the share of the Quebec market that their own producers do have.

I think you're well aware that a great deal of our meat and cattle do now go into the east and into Quebec in particular, into the Montreal market at this present time.

HON. J. BUCKLASCHUK: Okay, I want to pursue this a little further. I'm not at all being critical of the Quebec farmers. As a matter of fact I give them credit for being able to apply the kind of pressure they have been applying. — (Interjection) — They could be called M.P.'s, yes.

I still maintain that there is a bit of a, and I have to be crass about it, a bit of a shell game being played

here. I have the news announcement right here. I have the ad in the Canadian Poultryman. It's not 125, it's 149.4 and the only reference to Western Canada in the \$175 million program is \$20 million for soil and water conservation research in Western Canada. So I think that somewhere along the way we're being misled.

I'd like to just present one other question and that is with respect to export markets. We've dealt with the domestic, I don't think that there's anything in it for the western beef producer. The export market, we are led to believe that if the Pepin plan is adopted that there will be an increase in the livestock production in Western Canada.

I don't agree with that and I would like to quote from the March 3rd issue of the Manitoba Co-operator. The person I'm quoting is Bob McGillivray who is the President of the Saskatchewan Federation of Agriculture. And he states "The Saskatchewan Federation of Agriculture remains unconvinced that increased diversification on the prairies will occur merely through freight rate adjustments. Political decisions taken domestically by the United States and other countries are much more influential in determining the levels, types, and location of food production and processing in Canada."

MR. CHAIRMAN: Question please.

HON. J. BUCKLASCHUK: Would you like to comment on that statement?

MR. A. CHAMBERS: Since you haven't got a question I'll ask you one.

HON. J. BUCKLASCHUK: No, I'm sorry I would like you to comment on Mr. McGillivray's statement that the U.S. policies are much more influential on what happens in Canada than the change in freight rates.

MR. A. CHAMBERS: Well, okay. I'll preface my remarks by repeating the points I made about what were attempted to do through the Manitoba Beef Stabilization Plan.

I've forgotten the exact number but we've put about \$35 million out, is the ballpark, Mr. Minister? — (Interjection) — \$13 million, sorry, in what could be interpreted in the U.S. as direct subsidies towards, well you call it maintenance of our beef cattle industry in this province. They may regard it as an incentive to additional production.

I can tell you that one thing that may close the borders is the view that our production in Canada is being subsidized, and therefore that's why we have to - now what we've attempted to do in this program is to remove the effect of a subsidy in another direction.

I guess if, the question I was going to ask you is, if you supported the Manitoba Stabilization Plan, and if you did so why you didn't examine those same statistics relative to exports to the U.S. and the similar concern? Sure there's a concern. It depends on how you interpret the numbers.

What we're trying to do with both the Manitoba Stabilization Program and the adjustment in how the Crow benefit is applied are in exactly the same direction. They're trying to improve the economics of producing

beef in this province and in Western Canada and let the producers adjust accordingly.

MR. CHAIRMAN: Further questions.
Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: May I respond to that?

MR. CHAIRMAN: Do you have a question?

HON. J. BUCKLASCHUK: I don't have a question. But I'd like to just say, as a member of the government that brought in this stabilization plan it should be fairly obvious that I support the stabilization plan.

MR. CHAIRMAN: Thank you.
Mr. Uruski.

HON. B. URUSKI: Mr. Chambers, in your brief opening remarks you indicated that you have seen a lot of conflict between the livestock sector and the grain sector over the years when there's been a depression in grain prices. Do you feel the position that your organization has struck on now will continue or build that kind of a conflict into the situation that you're promoting in terms of trying to pit one sector against the other?

MR. A. CHAMBERS: I think it's quite fair to say that given the interpretation that's been put on our position that it has added to the conflict in the present time frame. I think that's accurate to say.

We've tried very hard to point out that we're attempting to develop a system that will both protect the grain farmers' interests and at the same time not hurt the livestock industry. Mind you, we've developed such a system, but other people have placed a different interpretation on it and have put more emphasis on the fact that the cattle producers are looking after their own interest. I don't apologize for participating in this system in looking after the interests of the organization to which I belong. That's what my job is. It's similar to the job of Pool delegates or United Grain Growers delegates to "look after the interests of the grain producer."

I sincerely believe that we've made a genuine effort to look to the grain producers' interests as well and I hope that message gets out and some of that conflict can be diminished over the years. I repeat what I said earlier, that if we get into the situation where our rail system is not doing the job of moving the grain and we do have big surpluses again, that conflict will build.

Back in '71 and '72 I was not in the livestock industry, I was strictly producing grain. I was as mad as the devil at these bloody hog producers and turkey producers who wouldn't pay me more for my grain in those days.

MR. CHAIRMAN: Especially the turkey producers.
Mr. Uruski.

HON. B. URUSKI: Mr. Chairman, would you not believe that a policy whereby each sector or a sector should not survive at the losses or costs of another sector would be the ideal way to go rather than indicating, as I think is being indicated, that there is losses being

sustained by one sector now presently as major distortions on behalf of the grain producers?

MR. A. CHAMBERS: Absolutely. That's what we were attempting a system where neither side benefits at the cost of the other.

HON. B. URUSKI: You indicated in your in your remarks that you are not hung up, that there should be direct payments to producers. Did I hear you correctly?

MR. A. CHAMBERS: If an alternative system that will genuinely remove the distortions can be developed, absolutely.

HON. B. URUSKI: How great - I think there have been some quotes before - are the distortions as between the two areas, between livestock and grain? You made some comments in your remarks.

MR. A. CHAMBERS: Well right. The present year is a little confusing because of the fact that some of our grains that were feeding are coming back out of the elevator at lower than the initial prices so it's not definitely that kind of a distortion in the present year. But if we get away from that situation and in years when there isn't a surplus, the present effect of the Crow rate is to effectively raise the price to feed grain users from about 50 cents a bushel or I think the price is about \$35 a tonne or something like that. Gilson's proposals and what the government is talking about will not remove all of that, but it's to remove a significant portion of it.

As I said toward the end of my comments we're very concerned that the present federal proposal only goes part way down the road and not nearly as much assurance that we would like to see to continue the phase-in. Frankly during Gilson, I saw no need for that 20 percent residual. I thought that we could have developed a system where it all went to the farmers and if we needed a residual to have a lever of control on the railroads, we could have maintained a little portion of the freight rate that farmers were actually paying into a separate fund, and therefore we could have removed a more major portion of the distortion, but that wasn't the compromise that came out of Gilson. I wasn't in favour of everything that was in Gilson by any means, but that was part of the compromise as I said.

HON. B. URUSKI: Last night at 11:30 a farmer quoted some statements that you had made and did an analysis of them in a brief. I was awake at 11:30 last night when we were in Brandon. I'd like to quote him. The gentleman was Henry Rempel from Plumas, Manitoba who indicated and I quote:

"MCPA Allan Chambers suggests this year that the Crow rate in effect costs western feed grain users almost 50 cents a bushel" - which you have just confirmed - "The non-board price of barley today, April 18 is \$1.65 a bushel. It was around \$1.80 most of the winter. Have you considered the management decision the \$1.30 barley would trigger? Feeder and calf prices would be higher," which you had confirmed when there is an over-supply of grain. "More heifers would be held back

as replacements; cull cows would be bid up by the inners and outers in a rush attempt to get into beef. It's happened before. Where does this leave the feedlot operator who is saving \$40 on grain and paying \$60 more on feeders? Would the cow-calf man think back and cash in at the top of the market? Not very likely. In a short time we would be producing 110 percent at a loss, instead of 90 percent at a profit."

MR. A. CHAMBERS: Well, he's done the same analysis that I did at the early comments that I made today, that although we don't have a great surplus of grain this year - in the country there's a combination of very low grain export prices and coupled with frankly the stabilization plan which returns a little bit of an incentive even with the prices that are there - and we may very well be put in a position this year again because of the difference on initial prices and what it's coming out of the elevator for, that similar to that situation I described of the grain glut and surplus grain at low prices. We may very well jump into what I would consider an unfortunate over-expansion as a result of these factors.

We would like to see a more continuum, not a great positive incentive, but just to remove those years of the negative distortion so that we get a more even and gradual movement, maintenance or slight increase, as the market would indicate. I think probably there has been some money to be made feeding cattle this year and it's reflected in the feeder price. It's partly because people are in the stabilization plan are no longer selling their feeders and are holding them back, so there is, in a way a shortage of feeders.

It goes back to the question you asked me yesterday as to whether or not this change would affect the cow-calf producer. It seems to me you've answered your own question very effectively with your comments.

HON. B. URUSKI: In terms of the markets did I understand you correctly that you're now indicating that markets for the expansion of beef cannot be guaranteed in Eastern Canada to the extent that was envisaged when the initial announcement was made by Pepin.

MR. CHAIRMAN: Mr. Chambers.

MR. A. CHAMBERS: No, I don't see that there's any difference in the situation in the East in a negative sense to more beef going down or maintaining our present markets over the last year. In fact, there may well be the opposite. As you are well aware, I'm sure a good deal of the expansion in Eastern Canada is because of programs of the Provincial Government. In Quebec, their deficit is much more frightening, relatively speaking, than ours in Manitoba, and there are very strong indications that their Provincial Government just simply may not be able to continue to afford the kind of support of various farm programs that they've had in the past. We don't look to see a great expansion there. On the other hand, I don't certainly see it in a negative sense. I think the forces are more likely to provide some room for expansion in the east rather than the reverse. But I don't believe the Provincial Government can afford to maintain the support they've

had in the past, and of course they're support levels are much much higher and richer than we have in our own stabilization plan. And just a little plug - I think ours is a much more responsible approach to the problem.

HON. B. URUSKI: Notwithstanding Mr. Pepin's statements to Eastern producers that they will not be hurt by the expansion of livestock here.

MR. A. CHAMBERS: Well, I haven't read everything that Mr. Pepin has had to say. The material that I've read that's been put out in Eastern Canada has been quite careful to say they will not directly be hurt by the proposals, which is correct. The misconception that was floating around in Quebec was that these changes would raise the price of feed grains in Quebec and that will not happen. If he words it carefully to the extent that Western producers are more competitive than they would otherwise be without the change, we will have some effect on eastern producers - minor, but some effect.

HON. B. URUSKI: Just one question. What level of production in the livestock industry would you consider as being an adequate level for, say, the Province of Manitoba?

MR. A. CHAMBERS: I believe we need more cattle finished in the province now and there's some worry about Saskatchewan doing their own slaughtering. The point I'm leading up to is so that our packing industry is sufficiently healthy to provide a good market and the capacity and people wanting to slaughter our cattle in Manitoba, and obviously to make use of the grazing land that we do have available, and frankly to provide the need for some forages and a rotation in the general grain-growing areas as part of soil maintenance. That's not too much above where we are now.

HON. B. URUSKI: We were at half a million beef cows. We're now down to about 375,000.

MR. A. CHAMBERS: What year were we at half a million?

HON. B. URUSKI: Around '75, was our peak. We're down now to 1968 levels in beef cows. Now, if you're talking about using our range land, we could probably double and triple our production for the range land that we have. What do you view as a reasonable level of production in this province?

MR. A. CHAMBERS: Well, in the short term, I don't see that we would want huge increases much above the general increase in the North American market. Certainly we could carry more cattle on our range land, but it will require major improvements. In their present state they won't carry much more than we have. Those major improvements were really only viable if we have a significantly better price than we have now.

I'm quite aware that the Manitoba herd doesn't directly affect the overall price, but I don't think one province, or one region, or one state can embark on a major doubling without causing some concerns and

other people doing the same thing. I think it would be irresponsible for us to talk about doubling and tripling in a short time period. Over the long frame, when we carry out those improvements and where the beef market increases with increasing populations, sure; but in the short time period I think probably below half a million, but that's strictly a personal opinion. I don't pretend to have the great knowledge to indicate that 429,362 is the right number of cows for Manitoba.

HON. B. URUSKI: But what you're telling me, and you can correct me if I'm wrong, is that we really can't take Pepin at his word, that there will not be the expansion that was promoted when this initiative was put forward to the people of Western Canada.

MR. A. CHAMBERS: The absolute increases that have been projected by the Canada Department of Agriculture staff would, distributed across the West, leave Manitoba with far less than 500,000 cows if that was the kind of increase that was taken into place. Okay? What you've done, Sir, is what's happened many times. They have taken what has been projected as the number of cows we will have if nothing happens, versus the number of cows in 10 years, versus the amount of livestock we were producing if some adjustment takes place. We've taken that number and treated it as an absolute increase which is a misuse of the number.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chambers, can you approximate the bushel handled out of Arborg and what the breakdown between, say, feed grains, wheat and oilseeds would be?

MR. A. CHAMBERS: Well, I believe we're about 2 million.

MR. D. ORCHARD: I just want it roughly.

MR. A. CHAMBERS: About 2 million bushels. I really couldn't give you the kind of breakdown you're interested in. We're a fairly heavy producer of barley in this region. In years when it doesn't rain six inches in June and July, and in years when it doesn't freeze in August in this immediate Arborg, Riverton and Fisher Branch area, we have quite productive soils and get pretty good yields. We have had many years in the past where our share of the national movement of grain was not enough to clear the grain out of this area.

MR. D. ORCHARD: Would you have any idea of the bushels that are fed in the area - the two - hogs or beef, or even poultry, I suppose?

MR. A. CHAMBERS: I had a conversation not too long ago with the major feed mill on the south side of the town, which you probably saw when you came in, and he was reluctant to give me the number of tonnes that they put through there. It's a legitimate question, it's one that I should have done some homework on for the purpose of this morning. A very ball-park figure would be that 25 to 30 percent of the actual grain

production in this immediate neighbourhood gets fed. We have a reasonably significant poultry industry in the area, quite a lot of hog production, and of course there is one feed lot south of town and a number of people finishing their cattle in lots of 100 or 200. If the stabilization plan is successful, given the large amount of beef cattle that we have west and south of Arborg, it's very likely that significant amounts of grain grown in this area will be processed and moved down and used by those farmers.

MR. D. ORCHARD: I appreciate that approximation because that 25 percent to 30 percent is certainly considerably higher than the percentage that's fed in my general area of southern Manitoba; it's significantly higher. Basis that and assuming . . .

MR. A. CHAMBERS: Don't hold me to that, incidentally, that's pretty . . .

MR. D. ORCHARD: Oh, no, I'm never that unkind. Now, the acreage payment proposal that's been bounced around would seem to me to be a reasonable incentive, if we're faced with change, to at least maintain that level of feeding in the area. Would you possibly agree?

MR. A. CHAMBERS: Yes, that's true. The other factor about our particular region up here, with our relatively high amounts of moisture we have, we're significantly producers of forage seeds and many of the other special crops. This triangle of the three towns I mentioned produces over half of Manitoba's Timothy production which, in turn, is a major portion of the entire Canadian Timothy production. We're up 25 percent approximately of the total Timothy seed production in Canada. Many of the fellows are producing lentils and canary seeds and so on. I know that you consider your region the centre of the special crops area in Manitoba. If you broaden the definition of special crops to include forage seeds, including alfalfa seeds, we'll give you a definite run for your money on that area.

MR. D. ORCHARD: I won't argue with you there. Everyone should naturally consider where they come from God's country.

You developed some figures which indicated a projected increase in return from finishing. Now, given status quo, what would be the producer return basis those costing figures without any changes?

MR. A. CHAMBERS: The net return?

MR. D. ORCHARD: Right.

MR. A. CHAMBERS: No, I didn't arrive at that. I simply was doing the calculation of what the difference in cost would be if the payment was made without trying to remove the extortion versus paying it out in the way they were doing.

MR. D. ORCHARD: Well, that kind of ends the question, but where I was trying to go was to get an approximation of what, for instance, 17.40 per animal in 1985-86 would mean in terms of percentage increase in net return; would it be double or 40 percent more or whatever?

MR. A. CHAMBERS: I think you have some large commercial lots in your region; over the years if a producer could net between \$10 and \$20 average per steer in those lots, it was generally considered satisfactory. Now, with inflation and whatever, it's going to require a larger number down the road presumably. But, in essence, that could represent a reasonable net figure; those absolute amounts could represent a reasonable net figure in those years, I would think.

MR. D. ORCHARD: And I take it from your comments during your presentation that you have a definite concern with the present proposal that they stall the producer payment at 50-50 and then require legislation to continue to the 81 percent?

MR. A. CHAMBERS: If that legislation is not introduced in 1985-86, as part of the review period, and we don't get the continued phase in, and the grain export system expands so we don't have these years of surplus, then the beef industry in this province is no better than dead even with the present situation.

MR. D. ORCHARD: No, I think that's fine, Mr. Chairman.

MR. CHAIRMAN: Thank you. Mr. Plohman.

HON. J. PLOHMAN: Thank you, Mr. Chairman. I just wanted to clarify for the record, you said that the executive of the MCPA has taken the position that they support a federal subsidy of the grain industry, but it doesn't automatically follow then that you've taken the position that you support the Pepin proposals. Would you say that you do, other than say the anomaly that was mentioned by Mr. Orchard just now, that you basically have taken the position that you support the Pepin proposals?

MR. A. CHAMBERS: No, that's overstating, I think, the degree of support. To the extent that we, as individuals, are grain producers, as well, we're equally concerned with the inflation rate change up from 4.5 to 6 percent. So there are other factors in the Pepin proposals, as grain producers, that we are concerned about, but as cattle producers per se, which is our area to express an opinion on. It's only the phase in part of the proposal that affects us directly and, in an adverse way, as compared to the Gilson proposal, is the speed of the phase in and the certainty that it will continue.

HON. J. PLOHMAN: As you have said, you are also grain producers, are you saying then that, if you favour basically the Pepin proposal, that you also favour, if you agree, that in the next seven years producers will be paying five to six times the amount for shipping their grain than they are right now?

MR. A. CHAMBERS: That's why I put some emphasis on the inflation number. The proposal doesn't mean very much additional cost in the short-term producers, but if you start adding and compounding inflation on inflation, then that's when the numbers get pretty scary down the road in seven years and beyond and that's why - I'm speaking now as individual grain producers - we're concerned that inflation number is unacceptably

high and we think it should be reduced because of the implications down the road.

HON. J. PLOHMAN: Well, do you think the Pepin proposal, as it now stands, would result in payments of five to six times the amount by 1990 for shipping grain, more than now?

MR. A. CHAMBERS: Well, I didn't review those numbers, and I didn't particularly want to get into that side of it this morning, but it seems to me that implies an increase - is that the numbers that they give, given the increase in volume plus the 6 percent inflation calculation?

HON. J. PLOHMAN: My understanding is the figures bandied around by most people are saying that it's going to cost producers six times Crow by 1990 and I'm saying, is that acceptable to you?

MR. A. CHAMBERS: It's not acceptable to me. Perhaps we can put it in some perspective. Today's freight rate in Arbog is 9.5 cents a bushel for a bushel of wheat. Six times that, by 1990, would be 57 cents or something. It depends very much what the price of grain is going to be in 1990, as to whether or not that's acceptable to me. If the price is today's price it's absolutely unacceptable because I can't afford to pay the 9.5 cents, frankly, as a grain producer, given today's grain prices. The only way I can answer that is in 1990 when I know what the price of grain is going to be.

HON. J. PLOHMAN: You're prepared to take the chances then; are you saying there are some guarantees built in that the price of grain is going to be such that you can afford it, are you prepared to approve this thing now and take your chances?

MR. A. CHAMBERS: No, I don't recall saying that. There was a fairly major presentation as part of the Farm Bureau's paper yesterday, the latter portion from Mr. Fulton, that developed the notion that would provide those kind of guarantees on the freight rate if, in fact, the price of grain didn't go up. Now, I can't speak on behalf of the cattle producers because we've had no chance to formally examine that and, in essence, it's really not our affair. In a way, it was the cattle producers, but I get the feeling that as a grain producer, if that proposal were enacted, it would remove a lot of the anxiety as to whether or not grain prices will have adjusted enough to make those freight rates reasonable by 1990.

HON. J. PLOHMAN: But that's not the Pepin proposal.

MR. A. CHAMBERS: No, it is not. Although in the Gilson report, he kept in a paragraph where he argued for something like that. In the government's release in February, there were also a couple of sentences indicating that they were willing to look at that by the review period. So it's not formally part of the Pepin proposal, and it's what a number of farm organizations have called to make it more definitely part of the legislation this time around that the government has given some indication that they would. It's not a

complete foreign notion to them, I guess, is the way to put it.

HON. J. PLOHMAN: Do you feel the family farm, as you know it in your area, could withstand that kind of pressures that would be put on if the Pepin proposal, with its call for six times Crow by 1990, could withstand that?

MR. A. CHAMBERS: I don't think the family farm in this region can withstand the pressures if we don't have a grain capacity to haul the grain out of this region that we can produce. Getting into the future, and it's impossible to say with any definitive - I don't know what the yields are going to be this summer, and I don't know what they're going to be in five years time. I don't know what the movement of the other commodities are and so on.

The best judgments that we've been making through the '70s, that is, if we don't put some more money to the railroads, whether it comes from the government entirely or a portion from the farmers, is that capacity will not be there. If we do have reasonably good yields, we won't be hauling all that grain out. That's a more serious concern in my view than paying 56 cents a bushel by 1990 for freight. I will, in all likelihood, be paying many multiples of that in increased fuel costs, fertilizer costs, land taxes, etc. Frankly, if we don't get a change in the price of grain by 1990, and a very significant one, it wouldn't matter if the Federal Government paid the present Crow rate in fact and we shipped grain at zero. I don't think the family farm in this region or anywhere else in the prairies is going to be in very good financial condition.

It's interesting that over the last couple of years lake freight rates have gone up and down by more than the change we were talking about; ocean freight rates have gone up and down by similar amounts and nobody even knows about it. Fertilizer prices are down this year. They've gone up dramatically in other years by a very greater effect on our net income. The difference is that this is the Crow rate; it's that special thing that gets all that attention. The actual numbers in the short term are not that significant on net income. They're significant down the road but we have to look at all the other things, too.

HON. J. PLOHMAN: Do you think that the producers should feel comfortable in endorsing this kind of a plan with all those ifs, ands, or buts, and uncertainties in the future that you just mentioned?

MR. A. CHAMBERS: I don't want to get pushed into endorsing this plan per se, because there are many things that I think should be changed in it. But as it is, it's better than no action. We may be able to get some more money out of the Federal Government, but the option of not proceeding with changes is the least desirable course of action for me as a grain producer.

HON. J. PLOHMAN: Just one further question, specifically with regard to information that we were given last night, was that it was the understanding of one presenter that any subsidy in the future would not apply to grain produced on new land. Of course, there's

a lot in the Interlake area of new land that is being broken each year over the last number of years. It certainly has and I think it will continue. Is that true? Can you confirm that, or can you comment on that, and if that is the case would that concern you?

MR. A. CHAMBERS: I responded to that yesterday. What we decided in the committee after - and I won't go back over all the arguments back and forth on this issue - is to freeze it until '85-86, until we had some statistics on the degree of new land and there will have to a decision then as to how new land will be brought into production. I think the consensus is that it will have to be brought in under the payments. Just offering an opinion, given the discussion that's gone on so far, is that there will probably be a one or two year phase-in of new breaking before they would be eligible for the full level of payment as on existing land.

Your statement is factually correct until the review period in '85-86, which of course is only three years down the road from today. But after that, although there isn't a definite decision, I'm quite sure that the decision will be to bring new land in.

It's a major concern to the Alberta Government. As you're probably aware, the Peace River area has an agricultural region almost as large as all of agriculture in Manitoba and a very large proportion of that potentially to have the trees cleared off of it and cultivate it.

MR. CHAIRMAN: Thank you, Mr. Chambers.

HON. J. PLOHMAN: Just one other point on that, Mr. Chairman.

MR. CHAIRMAN: One more question, Mr. Plohman.

HON. J. PLOHMAN: The Pas area certainly has a lot of potential as well in Manitoba and I would just wonder whether you were concerned. I would consider that a major concern if they could not get new production under this formula.

MR. A. CHAMBER: Well, as an Interlaker, I was definitely on the side arguing for bringing new land into production in some way, because we do have some new land available in the Interlake. I was going to make some comment about how much, but I think I'll pass that, but we certainly have some land that still can be cultivated for grain production in the Interlake.

MR. CHAIRMAN: I see more hands going up. Gentlemen, I must caution you . . .

MR. A. CHAMBER: All my neighbours are really going to upset with me if this keeps on.

MR. CHAIRMAN: Yes, I think Mr. Chambers has to live with his neighbours and we're already at 11:30 and there's seven more people on the list. I have Mr. Orchard and Mr. Harapiak both indicating they want to ask questions. I would ask them to be brief and, Mr. Chambers, I would ask you to be even briefer in your answers.

Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, the interpretation I got yesterday, and you can correct if I was wrong, about the presentation on bringing in new land, I think you weren't wanting to see a system that would eliminate productive new land from the subsidy, that the acreage payment wasn't incentive enough to bring very marginal land, just simply an attempt to get subsidy from the Federal Government.

MR. A. CHAMBERS: Yes, there are areas in the southern prairies that don't have trees on them; they're light soil, too sandy to be properly cultivated. It'd be quite easy to go out there with a deep tiller, run through it and then try to get in on the payments. We want to make sure that does not happen.

MR. CHAIRMAN: Thank you, Mr. Chambers.
Mr. Harapiak.

MR. H. HARAPIAK: What mode of transportation is used by members of the Manitoba Cattle Producers' Association at this point?

MR. CHAIRMAN: For?

MR. H. HARAPIAK: For either transporting of your feed supplies or else transporting a finished product. You've got meat.

MR. A. CHAMBERS: Within the province, almost exclusively by truck of the livestock to the markets, to the extent we're moving feed around by truck. Of course, it's rail to the extent that it moves east. It's probably about half-and-half truck and rail and the present movement - doesn't apply to Manitoba; well, it does - the present movement of livestock south out of Manitoba is by truck, and that's also true of the movement, as far as California, out of Alberta, it's presently by truck.

MR. CHAIRMAN: Thank you, Mr. Chambers. Further questions? Seeing none, Mr. Chambers, on behalf of the committee thank you very much for appearing here today.

Mr. Halibura, you had indicated you have a time commitment at 1:00 o'clock. Are you ready to proceed now if it's the will of the committee to modify the list?

MR. W. HALIBURA: Yes, I am.

MR. CHAIRMAN: Wish to move Mr. Halibura up? (Agreed) Please proceed.

MR. W. HALIBURA: Thank you, Mr. Chairman, ladies and gentlemen.

First of all, I should mention that I am Reeve of Armstrong and I'm presenting it as a brief from Armstrong. I'm not going to get into the nuts and bolts of what the proposal has on the domestic, initially. I initially want to say that the resolution passed on March 15th would receive council support.

I want to dwell on point No. 3, firstly. It does not recognize that grain must be sold in a competitive international market. In making my presentation, I would like to make reference to an article in the "International

Herald Tribune" entitled "You See By Subsidies Gain on U.S. in the Food Export." I'm not going to read the whole article, but I want to make reference to a couple of points here.

"Under the common agricultural policy of the European community, the 10 members' government provide farmers with high, uniform, guaranteed prices for their produce. Meanwhile, a levy on cheap imported foods stopped foreign farmers from undercutting them in the supermarket. As a result, European is now challenging the United States' position as a world's leader. High prices encouraged farmers to overproduce and mass mountains of uneaten meat and butter and lakes of undrunk milk and wine.

"These are then exported outside the UC with governments chipping in a fat subsidy to bring the price down to the lower levels charged by rival American farmers. Last year, agricultural export subsidies cost UC market taxpayers about \$6 billion. Since European farmers can only sell abroad with subsidies successive American administrations have cried foul, contending the American farmers face unfair competition from their European rivals, but nothing has changed. Now the Reagan administration is threatening to start a farm subsidy war with Europe if it does not change its policy. Several recent developments suggest that the moment of truth is close. Congress has expropriated about 700 million to be used this year to undercut subsidies, European farmer sales and help American farmers win back lost markets."

The point that I want to make is, the rules of the game on the export have to be played the same. If you have the UC pumping in billions of dollars in the support of farm produce sales you cannot have, at this level, where are competitors in the same market, where we belong to the same world community, operate with a very low subsidy. Subsidization is a reality and it appears that it is a bigger reality.

I want to just enlighten you, to a certain extent, and I'll leave a full copy of that article, how subsidization on the export market plays a role. For example, again I am taking a copy out of the Finance and Farmers and Growers, produced by a European bank. I want to tell you briefly how much subsidization does occur on the export market in Europe, for example. Wheat - this is in pounds sterling, but if you multiply by two - 155 pounds, almost \$300 subsidization. In other words, the farmer is getting over \$6 a bushel in subsidization. Oil rate, 260 pounds, multiply that by 1.8, you're looking at between about \$450 per tonne subsidization.

It somehow marvels me that in this country we have high inputs, but such low returns, whereas in Europe they have been geared so much to high costs, high returns, based on heavy, heavy government intervention.

If the transportation system is going to direct money to the railway companies at the expense of losses to the farmers; if the farmers are not given the competitive edge to compete on the world community, because they are doing so day-by-day, then you are going to have the situation you have with the pork industry in Manitoba, to a certain extent. Over \$6,000 per sow is subsidized in Quebec; whereas Manitoba perhaps received only \$1,000.00. What happened? History tells us we lost 40 percent of our hog industry.

The same thing is going to happen in the world community. Our markets have to be competitive;

subsidization has to be strong. I feel that the government should leave the Crow as is, but perhaps I would - you know, one would say, well it may not be realistic, but if the Budget a couple of days would have put on an export tax, some type of a surtax on food, and started channeling more money into the farmer's pocket, we wouldn't have the chaotic situation that we have presently.

It was mentioned that the Americans call the tune in the world market, but I am now inclined to believe that the Europeans do because, since 1976, they have gained, because of subsidies, 156 percent in their growth; whereas the Americans have only 70 percent as based on this article. Subsidization had a direct influence on the returns at our farmer's pocket in Manitoba.

Aside from that general view, I want to say that in the event the Pepin proposal is accepted and ran down to farmers I hope that it is at least tied to the cost of grain and not left as is.

It is idiotic to observe in Canadian agriculture that the farmer does not know where he stands. One year he may be getting \$7 a bushel for wheat. The next year \$3.50 a bushel for the same produce. Too many interrelating factors not accounted for.

Government intervention must come in in a heavy form to somehow add stability. This free-for-all production with little government control is the day of the past. The rules of the games on the world community is calling for heavy subsidization, heavy government intervention, the same rules of the game must be applied at the provincial level.

I am a bit alarmed as I see the trade-offs between, what I call the industrial business demands on the proposal as compared to the agriculture. In other words Pepin's proposal is offering something for everyone at the expense of the farmer. I would like to retain the Crow rate but I would like to have seen the direct government subsidization continue with the railways perhaps in greater form, and the governments have to realize that they have to modify this cheap food policy. It will drive the farmers broke and it is driving them broke.

You just cannot, you know, offer, when I for example was in Europe I was amazed that when I visited the livestock market, \$2 a pound on the hoof, 20 cents a pound subsidies on top of that. When I go to the sheep market and I look at the sheep market, 50 cents a pound government intervention in Europe plus, depends on where you are. If you are let's say over 4,000 feet they call it mountain subsidy. You're \$12 per head of sheep. So the same thing has, you know, the rules of the game have to be such that the farmer can compete. This cheap food policies as being promoted with little government intervention will not work.

That is about all I want to take and say.

MR. CHAIRMAN: Thank you, Mr. Halibura. Questions? Mr. Uskiw.

HON. S. USKIW: Just one question. You're suggesting that you would be prepared to live with a freight rate if it were tied to the price of grain?

MR. W. HALIBURA: Well, we may not have a choice. He'll ram it down. But that position would be much better than having the uncertainties of no choice.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: Yes, Mr. Halibura, you seem to be calling for large subsidization of those of us who produce grain.

I believe your figures are quite correct that some \$6 billion was thrown into agriculture support last year in the EEC and I believe that number is ballooning to some 14 billion in this present year. You're right, at least I'm told that European producers, particularly those in France are receiving some \$9 a bushel for the production of wheat, bringing forward very large returns, however very small profits because ultimately this ends up in the capitilization and land and indeed extremely high levels of input. Some of my neighbors who have come from Europe tell me that at \$4 a bushel here that they're much better off than they were back in Europe.

I suppose my question is, someone has to pay. As you're well aware Germany has been footing that bill, and they've just put down the ultimatum very strongly to France, so strongly that indeed that whole political system, that whole political party had to change.

Now my question is, who is going to pay the bill in Canada, indeed when we're already \$140 billion in debt? How long will our taxpayers just be prepared to subsidize indeed, any aspect of agriculture beyond that level which they are now prepared to do?

MR. W. HALIBURA: Well the answer, I feel, has to fall on the consumer. The consumer has been spoiled, and babied by paying such a very, very low price for his food. As I said I would welcome any kind of taxation on foodware. It would be rolled back into the farmer's hand. You cannot survive with the existing structure.

MR. CHAIRMAN: Further questions? Seeing none, on behalf of the committee, Mr. Halibura, I'd like to thank you and your council for presenting a brief here today.

Mr. Charles Mortimer please, General Manager of the Northern Development Corporation.

MR. C. MORTIMER: Mr. Chairman, gentlemen.

If I may, Mr. Chairman, for the record correct the first name of my organization. It is Norman which is an amalgam, of course, of Northern Manitoba.

MR. CHAIRMAN: Thank you.

MR. C. MORTIMER: I am, as you say, the General Manager of Norman. Norman is based in Thompson. Our area of responsibility lies north of the 53rd parallel which, as you know, runs east and west a few miles south of Grand Rapids.

You may well ask why I'm here this morning. All I can say is it is a result of accidents of time and geography. I wanted to speak to this committee to put my proposition to this committee.

The Norman region encompasses approximately 145,000 square miles. We do not have much highly developed agricultural land. We are not in the same position as so much of southern Manitoba.

As was remarked earlier in the morning there is the Pasquia area near The Pas. I have been in touch with The Pas Farmers Association and others in The Pas

area. The actuality of farm production in The Pas is to me very impressive. The potential is equally impressive.

There are other areas in northern Manitoba or Manitoba north of the 53rd parallel if you'll permit me, which have I understand substantial potential. I think for instance the Wanless area. As you have probably seen in the paper there is talk of trying to operate quite a substantial buffalo farm not far from Thompson. There's a lot of interest in Manitoba north of the 53rd parallel.

On the specific issues in the resolution of March 15th I'm particularly caught by Item 3, the need to meet international competition. The need to meet international competition, of course, involves us in the complexities of grain pricing and transportation.

It is on the question of transportation that I am particularly concerned. I read in the paper that earlier in the hearings of this committee comment has been made by or, on behalf of CN Rail, that CN Rail does not propose spending any money on what we call the Bay line. I'm thinking of the railway line leading to Churchill and I include in my concerns the Port of Churchill.

Comment has been made here this morning upon the importance of the international market as a source for Canadian grain. Comment has been made again this morning on the impact of transportation costs on the ability of Canadian farmers to meet that market.

Churchill, for instance, is 1,000 miles closer to European markets than is any port in Canada. The costs of transporting grain to and through Churchill have, in past years, been lower than similar costs of transportation from other export ports on the east coast. I am not going to comment on export from the west coast. The facts, I think, there speak for themselves.

The proposals which have been put forward by the Federal Government involve the railways or make it possible for the railways to spend really quite large sums of money on railway improvement. Norman believes that the improvement in our transportation system is essential to the economic and social well-being of Canada at large, to the Canadian farm population in Western Canada in particular.

Churchill is faced with a multitude of problems. So is the Bay line. However, last year during the shipping season, something in the order of 500,000 tonnes of grain were shipped through Churchill; a small figure in light of Canadian export sales, but a substantial figure having regard to the production areas which Churchill serves. The Churchill hinterland includes part of Manitoba and a good deal of Saskatchewan. The area around Arborg is not within the Churchill hinterland. The area which is comprised in the hinterland does not cover a great deal of Manitoba, but the concerns which we, north of 53 have, are relevant to Manitoba and to the grain trade at large.

I personally am inclined to think that unless something quite drastic is done, in five years we won't have a Bay line and we won't have a Port of Churchill. I hope I'm proven wrong, but that is the basis from which I put my thoughts to you. If I am right, I am prepared to guess that in ten years, Canada is going to desperately need the facilities of the Port of Churchill and the Bay line for the export of Western Canadian grain and Western Canadian food products.

The material which I have received from the Seaway authorities suggest that while tonnages through the Seaway are lower in 1982 than they were in 1981, the Seaway authority is looking for an increase in tonnages moved in 1983, and I have seen the suggestion in a number of places, as I'm sure you gentlemen have, that aspects of the Seaway are very close to their maximum capacity. I'm thinking, of course, of the Welland Canal, other areas in the Seaway complex.

Work is under way to expand the capacity of the Welland, but I think a number of people, quite a number of us question whether the Welland Canal in particular, and the Seaway in general, can carry the potential export trade which will originate from Western Canada in general and Manitoba in particular. That is the gap that, I suggest to you, Churchill can fill. We have all seen a lot of talk about the problems of hopper cars on the Bay line, of the problems of sinkholes on the Bay line, of the problems of ice around the Port of Churchill. I do not minimize any of those problems, but over the relatively short period of months that I have been General Manager of Norman, I find myself inclined to the view that those problems are susceptible of solution.

For instance, on the sinkhole issue, a firm of consulting engineers in Edmonton have done a very substantial program of applied research. To say that anyone has an answer, I think is unwise, but their research has established interesting areas of application to deal with that problem. The other problems are susceptible of the same type of treatment, and the use of the facilities of the Port of Churchill can be expanded. I suggest to you that expansion of that use would work very greatly to the benefit of the grain growers, not just in the Churchill hinterland, but in Canada generally.

I won't bore you with the particulars of improvements which are possible. I have commented on the sinkhole problem which is perhaps the one which has received the most newspaper coverage. The problems of the port itself, the problems of boxcars versus hopper cars and the developing shortage of boxcars are all susceptible of solution.

What it boils down to is this, Mr. Chairman. Your resolution includes reference to selling in a competitive international market. I suggest to you that an aspect of that area of sale might properly direct your committee to a comprehensive, careful review of the importance and potential of the Bay line and the Port of Churchill. Thank you.

MR. CHAIRMAN: Thank you, Mr. Mortimer. Questions? Mr. Harapiak.

MR. H. HARAPIAK: Mr. Chairman, I would like to thank you for coming all the way from Thompson to give us the northern views of this very great problem that we're faced with right now. You mentioned in your presentation that there is not much farm land in the North. Are you aware of all the potential that exists in the North for new developed land, farm land?

MR. C. MORTIMER: I had intended my comment to be directed to developed farm land. No, I'm not aware of all the potential. I have had an opportunity to be exposed to potentials which I understand exist, but

which haven't yet received the attention that I would think they're entitled to receive.

MR. H. HARAPIAK: . . . an agricultural report which identified 5.9 million acres of additional farm land which could be brought into production, so this would be of particular concern as new farm area which wouldn't be covered under the formula they're proposing, that new farm area wouldn't be covered under it, but I would like to move into the area of transportation.

This area is very dear to me as I have worked on that Bay line and I'm aware of the problems with the sinkholes and I personally don't feel that line is in as bad shape as most people make it out to be. If the cryo-anchors are successful and the report out on them now is that they've been successful in five of the sinkholes, I think the figure has been given out that \$15 million would fix up the sinkhole problem. If that was done, would the Bay line then be able to carry hopper cars?

MR. C. MORTIMER: My information, Mr. Harapiak, is that the cryo-anchor has proven successful beyond the best imagination of the engineering firm which did the work, that in some of those very bad areas up-line from Gillam, the annual maintenance problem has been reduced to a small percentage of what it used to be. I have talked at some length to Don Haley, the engineer in Edmonton, who has charge of the consulting work. I don't want to put words in his mouth, but the impression I came away with was one of pronounced optimism, that the use of cryo-anchors and a dedicated further consideration of the problems with which we're struggling, would in a short period of time, produce workable solutions to those problems.

I was talking to a transportation man this week in connection with the rail bus hearings in Thompson. He knows something of freight transport and he wants to try a unit train - 170, 180 cars, interspersing aluminum hopper cars with boxcars. I don't know whether it will work. I don't have the technical know-how to assess the economic impact of a train of that kind, but I understand from him, that that step has not been tried and it seems to me, it should be tried.

MR. H. HARAPIAK: As a railroader, I believe it should be tried as well. I'm very optimistic that with these cryo-anchors the problem will be resolved and I think we have to work in that direction. We have to get away from having a special fleet of cars to service the Port of Churchill. The track has to be built up to standard that'll carry hopper cars. I'm wondering if you're aware that we have passed, or we are presently debating a resolution in the House, which is asking for support of all of the members of the government and the opposition to promote the Port of Churchill, not only for grain movement, but also for a tourist potential that exists in that area.

MR. C. MORTIMER: I've seen what's reported in the papers - what has been reported in the papers. May I interject one observation? I understand from the Chairman of the Norman Transportation Committee, that as a result of the Branch Line Rehabilitation Program, most of the work required to put the Bay

line in, let me call it good shape, aside from the sinkhole problem, and the cryo-anchor work, has been completed. I understand that - I think everything except 40 miles of line is now 100 or 110 pound steel and the rail itself is now capable of carrying loaded hopper cars.

MR. H. HARAPIAK: It's at least 100 pound steel right to the yard in Churchill. The yard in Churchill is the only one that hasn't got the upgraded rail.

That's all the comments I have.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Yes, are you aware that the Pepin proposal does not include anything for the Bay line as far as rail upgrading is concerned?

MR. C. MORTIMER: Yes, I have been aware of that Mr. Uskiw.

HON. S. USKIW: I would then offer a suggestion that the local communities on that line and your corporation should probably address that directly with the Government of Canada. Perhaps you have, but if you haven't, I would urge you to raise that question with them.

MR. C. MORTIMER: We have a directors' meeting coming up on the 6th and 7th of May and that item is already on the agenda.

HON. S. USKIW: That was one of our most serious objections to their proposal, that if there's going to be any Western Canadian rail upgrading, it should include the rail line to the Port of Churchill.

MR. CHAIRMAN: Further questions for Mr. Mortimer? Mr. Manness.

MR. C. MANNES: Mr. Mortimer, you say that in 10 years the nation will require Churchill as a major seaport. Do you make that comment on the basis that you recognize Prince Rupert as coming on stream as a major western seaport, and that it will be exporting or it will be transferring through that particular port some 3 million tonnes, when it comes on stream shortly, and within this decade yet, some 6 million tonnes, or some 12 times the amount that was exported through Churchill last year? Are you aware of that fact?

MR. C. MORTIMER: Yes, I am.

MR. C. MANNES: Well, Mr. Mortimer when you say that Seaway authority people lead you to believe that there will be a constraint through the Seaway system, I'm under the opinion, or at least, I've been led to believe that the growth for Canadian export of grain indeed will not occur through the eastern port system, through the eastern seaway system. What have they told you as to the quantities of exports that will be going through that area in the next 10 or 15 years, that leads you to believe that indeed there will be constraints there?

MR. C. MORTIMER: It is my belief and it is based more on belief than data upon which I'm prepared to

rely, that the production potential of Western Canada and the provinces of Ontario and Quebec, plus the impact of production from the United States extending into the Western United States, and you are aware of the quantities of material which are hauled into Duluth for shipment, will result in the Seaway being strained beyond its capacity. I draw my conclusion from - well, by interpolating into data which has provided to me by the Seaway authority and others.

MR. CHAIRMAN: Further questions? Seeing none, Mr. Mortimer, thank you for coming from The Pas and making your presentation on behalf of your corporation.

MR. C. MORTIMER: Thank you, Mr. Chairman, gentlemen.

MR. CHAIRMAN: Mr. Alfred Thompson.

MR. A. THOMPSON: Ladies and gentlemen and fellow farmers, it gives me pleasure to have the opportunity to say a few words at this hearing on the Crow plan. I would like to point out that the following is my point of view. Others may, and quite likely will, differ on some aspects as they have with other speakers, but in my opinion, we should not belittle farmers' point of views, such as letters written to the paper in the past have done.

I think that the Crow plan as proposed by Pepin is unfair. The farmers of Canada have a hard enough time to make ends meet without the railway sticking their hands in our pockets also. The railways makes millions of dollars profit a year, yet they are crying that they are losing money hauling grain. Naturally they will lose money. They run their rails into the ground over the years while they spend their profits on hotels and steamships, just to mention a few. Now they are crying that they need money to build up their tracks that they could not look after over the years, and yet they keep saying how efficient they are. If we ran our farms that way, we would have been out of business long ago. They expect the government and the farmers to buy them hopper cars to haul the grain as well as give them money to fix up the tracks. They never bother to buy us a tractor or a combine to help us grow more grain for them to haul.

I think it is time for someone to think about the farmers for a change. It is high time that we got what he is worth. After all, he is the backbone of this nation. If it was not for the farmers this country would starve and if it keeps going the way it is, it won't be long before that happens as we will be all broke or bankrupt.

In the April 7th issue of the Manitoba Co-operator, there was no less than 40 auction sales listed. These were farmers who had gone belly-up or were getting out while the getting was good. I sure can't blame them with the rotten deal we farmers are getting. They talk about the 6 and 5 percent increase while ours drops 15 percent, with another tremendous drop expected next year, while all the time people that are getting \$10 to \$12 an hour are going on strike for more wages, wanting at least 12 percent.

Everybody is talking about the economy these days. How can we get it back and get the country back on its feet? Well I can tell you how. Give the farmer what

he is worth so he can continue to operate. In turn, he will be able to buy and start the whole process turning, thereby creating more business and jobs. It will keep the machine, fertilizer and chemical companies and everybody out of mischief and happy and busy.

We, the farmers have to get more for our produce because the cost to raise the product far exceeds what we receive for it. The price of gas (which has raised four times in the past year) - where is the 6 and 5? The high cost of machinery, \$60,000 to \$90,000 for a tractor, \$100,000 for a combine, not to mention the price for fertilizers and chemicals, plus the seed grain and the machinery and labour to plant the grain or to raise the cattle and, on top of it all, Mother Nature. We are fighting a losing battle.

In an article in the Co-operator a few months back, an economist said it cost \$160 to plant an acre of wheat. This cost was for fertilizer, weed control, seed, tillage, depreciation on equipment and based on an 8-hour day and \$6 per hour. If it costs \$160 per acre, that means we have to produce 36 bushels per acre just to break even, let alone make a profit and with a quota of nine bushels per acre, we are in big trouble.

In this pamphlet sent out by the government, Pepin says they will guarantee the rail line network till the year 2,000, that is 17 years. By that time the railways will have run the tracks back into the ground and used up the 15,000 cars the government have bought. Then they can start crying all over again for more money and cars. Some guarantee.

He also points out that in the next decade we could be paying 72 cents to ship a bushel of grain. This really frightens me because at that rate we need to be getting between \$12 and \$15 per bushel for that wheat, and I don't see anywhere that he says he will guarantee the farmer that price, or as a matter of fact, any price at all. From now on we can expect higher freight costs even if wheat goes down to \$2 per bushel.

Another thing that amazes me is that no place in this paper does he mention the grain cars the farmers bought and paid for through the Wheat Board.

He also says the performance of the railway will be monitored by the Grain Transportation Agency. What guarantee do we have that the agency will have the farmer in mind at all? Like most agencies the farmer is the last to be thought of. A perfect example is our Grain Stabilization Plan. No one can tell me that with the high cost of producing grain last year that we should not have received a sizeable payment last year, but for some reason they don't take that into account.

I don't think the farmer would mind paying a little more for freight if we get a fair price for what we produce and some guarantee that the railways will be satisfied. We are now being told that they will not guarantee anything for at least three years till they see how much they can get their hands on till then.

I think people like Pepin and Otto Lang should be given jobs in coal mines, not running our country. You might say, how come I brought Otto Lang into this. Well, he used to be Minister of Agriculture for Canada and it was he who started this whole mess by talking about changing the Crow. Then when he lost his seat, the railways hired him and his Liberal cronies to operate the railways. That way, they would have the government behind them. It's time the farmers had some political clout behind them.

Oh well, in a way Lang and Pepin are cast in the same mold as we the farmers. We clean from behind the bull and they spread it.

Thank you.

MR. CHAIRMAN: Thank you, Mr. Thompson. Are there any questions for Mr. Thompson from members of the committee.

Mr. Uskiw.

HON. S. USKIW: Yes, just one question. I notice in your brief on Page 2 of your submission, the third last paragraph, you make the point that farmers would be willing to pay more for freight if they had a reasonable price for grain. Did you want to elaborate on that?

MR. A. THOMPSON: I think the price should be based on what we receive for our grain, say, a certain percent of the price of a bushel of grain.

HON. S. USKIW: You mean the freight rate should be based on it.

MR. A. THOMPSON: Right.

HON. S. USKIW: Well, that's my question.

MR. CHAIRMAN: Thank you.

Mr. Plohman.

HON. J. PLOHMAN: Mr. Chairman, I personally believe that people like yourselves are representing the true views of the farmers. The farmers that have come forward individually and have made presentations have been very very consistent. However, the farm organizations tell a different story and yet they seem to be representing the farmers. I wonder whether you would like to comment on why there is such a difference between what we hear from people like yourself - and there's probably many more who didn't have time to come out today and give their own views - I think if we took a plebiscite or a referendum, we would find that the majority would feel as you do. What is wrong with the farm organizations that have gone along and negotiated this and said, we know what's best for you?

MR. A. THOMPSON: You might really say that all farmers don't agree with these organizations. We don't back these organizations simply because you get someone into those organizations that can talk and they don't really get down and find out what every farmer wants, or the majority of the farmers. They just take the word of those who like to get up and speak. There are a lot of us that it hurts to get up and speak, so we do not voice our opinions. I don't feel that you can take the word of these organizations. You have to get down to the basic farmer in order to get the true feeling of the problem at hand.

MR. CHAIRMAN: Further questions?

Mr. Orchard.

MR. D. ORCHARD: Mr. Thompson, you know, I think you've made a pretty legitimate point about talking to the individual when you're contemplating any major

change. In that incidentally I agree with you 100 percent, and I think individual opinions should be valued most of the time, even when governments are considering seat belt legislation.

MR. A. THOMPSON: Yes, I agree with that.

MR. CHAIRMAN: Mr. Orchard, somehow I didn't see that on our terms of reference as a committee so I'll avoid getting into that debate today. Further questions. Mr. Manness.

MR. C. MANNESS: Yes, Mr. Thompson, Minister Uskiw made reference to the concept of tying the transportation rate to the price of grain.

A group made a presentation to us yesterday, and this proposal of a safety net is starting to fall into vogue. I'm wondering if, indeed, you could be prepared to accept a system whereby the most that you would pay towards transportation would be some 8 percent of the selling price of your grain. For instance, if the price of wheat was \$4 that, indeed, the most you would pay in transportation would be 32 cents a bushel. Could you endorse the Pepin proposal, with modifications, one of those being the introduction of that type of protection system?

MR. A. THOMPSON: Not to that figure I would not. I feel that figure is too high, but first I'd say that someone has to guarantee us a reasonable return for our product before we can start raising the rate of our cost of shipping a bushel of grain. I would say more in the line of 5 percent to 6 percent, rather than 8 percent. But first lets make the railroads sit down and give us some guarantee that they're not going to come back to us in a few years and say, well we didn't make enough over the last few years, let's have some more. They are making enough money as it is off of the other things but, just because they're losing money on the hauling of grain, they figure that their business is not viable.

But take the farmer, for instance, himself, if he makes the profit on one commodity he's losing that much more on the other commodity. He doesn't make a profit on everything, so why should they be treated any different than we; if we can't make a profit on cattle and grain and hogs at one time why should the railroads say that, I don't make a profit on grain I've got to get more money. We have to be fair in Canada.

MR. CHAIRMAN: Further questions?
Mr. Uruski.

HON. B. URUSKI: Mr. Thompson, much of what has been said over the last number of months came as the result of the Federal Government saying that there is a consensus in Western Canada that there should be this kind of change. In many of the presentations that we have seen that's not been the case; but in talking to your neighbours and the like what do you feel the consensus is? Is it for this kind of change, or what kind of consensus is there?

MR. A. THOMPSON: I don't think there is any consensus to be exactly right on the matter. We had a Crow meeting here not too long ago. We had some

speakers say that they wished the payment to be made to the farmer, as well as to the railroad; others say the opposite way, there is no consensus on it. I don't feel there is too many of the farmers themselves that want this changed.

MR. CHAIRMAN: Further questions for Mr. Thompson? Seeing none, Mr. Thompson thank you very much for coming today and making your presentation.

Gentlemen on the committee, there are four more individuals on our list. What is your will and pleasure? Do you wish to set a time now to break for lunch or attempt to finish the meeting without breaking for lunch? It might mean going to 1 or 1:30.

Mr. Orchard.

MR. D. ORCHARD: Well, Mr. Chairman, if we had some indication whether the last four briefs were any longer than the last two or three we've had we could probably skate them right through, we could probably deal with them.

A MEMBER: One or two pages.

MR. D. ORCHARD: Okay, let's proceed.

MR. CHAIRMAN: I take it then we'll proceed.
Mr. Einar Vigfusson.

MR. E. VIGFUSSON: I'd like to thank you for the opportunity to speak here.

This brief was put together by a few farmers around my place, and some are just grain farmers, like myself; others have cattle and turkeys and together they probably feed in the area of \$100,000 worth of grain a year, I would imagine; at least. So they're just grain farmers; I want to emphasize that.

Also I'd like to say that I'm a small grain farmer, I mean not a small farmer, but I have a small farm and 1983 will be the first time that I'll lose money farming since 1968. It's given me a fairly good living until now I think. I'll have a loss I'm sure without even using a pencil. I'll read the brief.

The total picture of transportation subsidies in Canada has never been presented to the public. Indirect subsidies to trucking and airlines never seem to be questioned by anyone. Only the railway subsidy on grain is considered to be a problem. For example, was any consideration ever given to placing an increase on all airline passenger tickets to help pay for Mirabel Airport? Do licence fees on heavy trucks reflect the real cost of highway construction and maintenance?

Pepin and Gilson appear unwilling to admit that the Crow is basically a transportation subsidy on export grain, and want to change it to a government handout to all farmers. This is causing a great deal of resentment among farmers who produce crops only, because it seems to give those who produce both grain and livestock a free ride on their backs. Many farmers believe that this was deliberately done to divide them on the Crow rate issue. Proponents of the Pepin plan say that paying the subsidy to the railways will guarantee a profit to the railways without guaranteeing better service. On the contrary, if payments are made to the railways they could be withheld if better service is not

provided. Individual farmers will have no leverage over the railways. To add insult to injury, subsidy payments to producers would make farmers look like welfare recipients. Some grain producers feel that if the "pay the Farmer" concept is adopted then all hog, beef, milk, etc. support funds should be thrown into a pot and divided equally. Probably by an acreage payment I suppose.

Why is so little thought given to the benefits of the Crow rate? The lower freight rate has helped grain farmers survive the competition of subsidized U.S. and EEC grain sales, and there is no doubt that the billions of dollars in wheat sales was a major factor in Canada's 1982 trade surplus. Gilson and Pepin are ready to kill the goose that has been laying the golden eggs in order to guarantee a 20 percent return on investment to the CPR.

There is a simple solution to the disagreement about whether farmers should pay higher freight rates. Those who do not want to pay more should remain on the Crow rate; those who do not agree should be allowed to pay as much as they wish.

MR. CHAIRMAN: Thank you very much Mr. Vigfusson. Questions?

Mr. Uskiw.

HON. S. USKIW: Yes, are you stating the position that you want no changes whatever, that you want to continue with the existing railway system and the existing rate?

MR. E. VIGFUSSON: Personally, I probably wouldn't mind paying more freight rates, but I just don't like the way this is done.

HON. S. USKIW: Under what circumstances would you want to or be willing to pay more then?

MR. E. VIGFUSSON: Probably similar to what the last speaker had in mind.

HON. S. USKIW: Related to the price of grain?

MR. E. VIGFUSSON: Something in that line, yes.

HON. S. USKIW: Okay, that's fine.

MR. CHAIRMAN: Further questions?

Mr. Orchard.

MR. D. ORCHARD: Mr. Vigfusson, you've come up with a very interesting solution to the problem here. I just have one question though, if some remained on the Crow rate and some wished to pay more, would you fault the railroads if they hauled the guy's grain that wanted to pay more first?

MR. E. VIGFUSSON: You got me.

MR. D. ORCHARD: I didn't mean that.

MR. CHAIRMAN: Further questions? Hearing none, Mr. Vigfusson, thank you very much and your colleagues for presenting a very interesting brief.

MR. E. VIGFUSSON: Thank you.

MR. CHAIRMAN: Mr. Eric Fridfinnson, Arborg Pool Committee.

MR. E. FRIDFINNSON: Thank you, Mr. Chairman. I appreciate the chance that Manitobans are being given to express their opinions on this transportation issue. I'm here representing the Arborg Pool Local and I also have a letter endorsing our views on the topic from our Subdistrict Council which includes representatives from the Riverton, Fisher Branch and Broad Valley area as well.

Our position is actually quite similar to your resolution of March 18th, in that we do reject the plan. I'll be going into that right away, but afterwards I'd like to make a few comments as a producer myself as well.

The Arborg Pool Committee brief on the Western Transportation Initiative:

1. The government plans to introduce a phase-in of subsidy payments to farmers as a means of distributing the Crow benefit. Producer subsidies are politically vulnerable; they do not permit effective railway performance guarantees; they are extremely complex to administer in a fair and equitable manner; they open the door for possible introduction of variable rates; there will be pressure for offsetting grants to other regions of the country that could be avoided by the direct "pay the railway" option.

2. The Pepin plan will require grain producers to pay annual increases of up to 3 percent of total railway costs for the period of 1985-86 and of up to 6 percent for the period of 1986-87 and beyond. The cumulative impact over time will result in excessive costs with grain producers paying nearly 5.6 times Crow or 60 percent of railway costs by 1991 and 75 percent of total cost by the year 2000. The policy as announced does not recognize the need to relate producer freight adjustments to the ability to pay, as reflected in the price of grain, or as a specific maximum percentage of total freight costs.

3. The Pepin plan will require grain producers to absorb the entire cost of grain shipments in excess of 31.1 million tonnes based on 1981-82 level of shipments. The principle of statutory freight rate protection must continue to be part of an historical accord between the Federal Government and the prairie region. It is completely unfair for producers to be required to assume the full costs of transporting increasing quantities of grain, since the increased exports benefit the entire country. Passing all costs of increased production onto the backs of grain producers will be a significant disincentive to meeting projected grain export targets. Increased livestock production, not justified by market demand, could put additional downward pressure on prices as well.

4. The Pepin plan suggests that legislation will express the principle that grain freight rates shall continue to be generally distance related. The background notes on freight rate structure indicate that the rates published would apply only to single car movement. The legislation must clearly prohibit the use of variable or incentive rates by rail carriers and to the fullest extent all rates must be structured on a distance related basis. The introduction of variable rates would result in a significant

transfer of cost from the railways and government to some grain producers as a result of branch line elimination and grain delivery system consolidation.

5. The Pepin plan extends the statutory rate to canola and linseed oil and meal, but does not include other important specialty grains and their processed products. In order to facilitate the development of new or existing specialty crops, it is essential that all western grains and their processed products be placed under a common freight rate structure.

6. The Pepin plan calls for a reduction of \$268 million in branch line expenditures over the period ending 1990. Given increasing costs for rail maintenance and reconstruction, federal funding to complete the rehabilitation of the prairie rail system must be increased significantly. Failure to upgrade branch lines as quickly as possible suggests many will be candidates for abandonment through inadequate rail service and diminishing producer patronage.

7. The Pepin plan will establish a new Grain Transportation Authority, replacing the existing grain transportation co-ordinator, with responsibilities for railway performance guarantees, car allocation and identifying measures to increase grain transportation efficiency. The proposed agency, while supported as a mechanism for improved co-ordination of the grain system, must not be allowed to interfere with the present authority and responsibility of the Canadian Wheat Board as a central selling agency.

The Arborg Pool Committee totally rejects the Pepin plan and requests that the above seven points be considered in the new Transportation policy.

That ends our statement from our committee. I also had a few comments I'd like to make just as an individual producer. Do you want me to go ahead with them now?

MR. CHAIRMAN: Please go ahead.

MR. E. FRIDFINNSON: What's bothered me as much as the contents of the Transportation proposal itself has been the methods used to introduce the legislation. This started with the Gilson exercise which is a farce, just a shameless window dressing, as Pepin had already decided what he had in mind for a Transportation policy. These tactics have carried right through to the present, the last being the supplements in the weekend newspapers throughout the country. If the statements being made and the supplements are true, why did they have a different addition for each province? Clearly all Western Canadians should be very suspicious about a policy which has been introduced by a Minister who has felt it necessary to use any tactics to get his own way, no matter how dishonest or underhanded the methods have to be.

MR. CHAIRMAN: Thank you, Mr. Fridfinnson.

Are there any questions?

Mr. Uskiw.

HON. S. USKIW: Yes, I notice that a lot of your objections here are along the lines of your official Pool organization.

MR. E. FRIDFINNSON: That's right. They're quite similar.

HON. S. USKIW: Yes. My question is just a point of elaboration. In the second paragraph you indicate that the cost of freight should be related to the price of grain. Would that be your strongest point?

MR. E. FRIDFINNSON: That would be one of the strongest points, that's right.

HON. S. USKIW: Yes.

MR. E. FRIDFINNSON: In fact, there was a meeting held here that was sponsored by the Pool and a Crow information meeting, and the people attending it felt that a 6 percent ceiling on the cost of transportation would be the maximum that we could afford to pay. I think that some of the other topics are just as important, if not more important, dealing with the possibility of variable freight rates and also with removing powers of car allocation and so on from the Canadian Wheat Board, because I think that what they're going to be aiming at is at cutting the hamstrings off the Wheat Board in that way.

MR. CHAIRMAN: Further questions for Mr. Fridfinnson?
Mr. Orchard.

MR. D. ORCHARD: This might be my opportunity to find out what the handle and whatnot is from Arborg, from the Pool.

MR. E. FRIDFINNSON: I don't remember exactly what it is from the Pool, but it is about 2 million bushels in Arborg; there's a Paterson Elevator here, as well.

MR. D. ORCHARD: Okay. Another question, the new Pool house that's on the south side of town, what's your storage capacity there?

MR. E. FRIDFINNSON: The storage capacity, I couldn't tell you.

MR. D. ORCHARD: Just following on one other question, following up on Mr. Uskiw's question, the tenure of your concerns are that it may well be that we're getting ourselves into an open-ended freight rate structure as compared to one that was always fixed, but would it be fair to interpret that a number, or a majority, or at least that the Pool members in Arborg are not adverse to paying some more toward contribution towards transportation, but you consider the Pepin proposal to be too open-ended; would that be a fair comment?

MR. E. FRIDFINNSON: Well, I think that what a person would have to say, I don't think that anybody wants to pay more, but I think that, from the people I've talked to and from the meeting that was held here, people would consider paying more if they felt that they were going to get a benefit from it. I think that what a lot of people are really afraid of though is that what we're going to see now is a large increase in freight rates, and then just a delaying of these capital projects that are needed to improve the transportation system. We'll be paying the higher freight rates 10 or 15 years down the road and then, at that time, the railway is still going

to say that they're not able to afford to haul grain and they're going to be asking to have the government pay for those improvements at that time anyhow. So I'd rather see any subsidies that are paid to be paid directly to the railway themselves, and that they would have to go directly into Capital Expenditures, on improving the transportation system itself.

MR. D. ORCHARD: Okay.

MR. CHAIRMAN: Further questions?
Mr. Plohan.

HON. J. PLOHMAN: Do you feel that the Federal Government could benefit by going through the same exercise that we, as a province, are doing in getting views on transportation in Manitoba? Should the Federal Government take the same action?

MR. E. FRIDFINNSON: Definitely. I think that it would be one of the first responsible things that they have done because, as I've said, I don't think that that Gilson process was very meaningful; what came out of there I don't think was a very meaningful representation of what farmers per se felt about the issue.

MR. CHAIRMAN: Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Mr. Fridfinnson, I just want to refer to the final comments you made about the tactics that are being used in developing this plan. Would you agree that in fact we keep tying Pepin's name to this proposal all the time, would you not agree that it goes further back and it goes back to the days of Otto Lang?

MR. E. FRIDFINNSON: Well, that's been a pretty common opinion of a lot of farmers, that's right. There have been many people who have expressed that opinion to me.

HON. J. BUCKLASCHUK: Were you aware of any changes in that direction during the time of the Joe Clark government?

MR. E. FRIDFINNSON: I suppose that all I could say is that maybe they didn't stay in power long enough to implement whatever changes they had in mind; that's all I could say about it.

HON. J. BUCKLASCHUK: Well, I believe that the Minister of Transportation at that time, Don Mazankowski, must have had a position. Are you aware that at any time he had spoken out against a change in the present transportation structure?

MR. E. FRIDFINNSON: Well he is, at this time, anyhow, as I understand it and at that time I'm not . . .

HON. J. BUCKLASCHUK: Well, I guess what I really want to get at is, personally I have not been able to discern any difference and I'm just wondering, in your opinion, who do you think is really calling the shots, is it the Federal Government or is it the railways?

MR. E. FRIDFINNSON: Well, all I could say about it is that the Federal Government is calling the shots but they seem to have the interest of the railway a lot more at heart than they do the interests of Western Canadians.

HON. J. BUCKLASCHUK: Thank you, that's fine.

MR. CHAIRMAN: Further questions? Mr. Manness.

MR. C. MANNES: Thank you. Mr. Fridfinnson, you seem to be amenable to a change of some sort, at least the Pool Committee indicates that in the very last paragraph. What do they say to you, what does the district of Arborg believe would happen if there is no change in the Crow, indeed, if farmers do not pay more; do they have any feelings?

MR. E. FRIDFINNSON: I think they would be happy, except that there is a lot of feeling that there has to be a lot of improvements to the transportation system, and I don't think that any farmers have any complaint about paying some of that cost, as long as we don't just sign ourselves up into a completely open-ended agreement.

MR. CHAIRMAN: Further questions? Seeing none, Mr. Fridfinnson, on behalf of the committee, thank you and your Pool for making a presentation today.

MR. E. FRIDFINNSON: Your welcome.

MR. CHAIRMAN: Mr. Jacob Dern. Mr. Dern.

HON. J. DERN: Mr. Chairman, members of the committee. I have a short brief here which is basically on economics. I'd like to read it to you now.

I accept our Manitoba Government's stand that the Pepin proposals for changes to the Statutory Crow Rates are unacceptable. Here are some reasons:

Farming is one of Canada's most important industries. It contributes greatly to the gross national product.

During the past few years farming has been battered by the elements of inflation, recession and general economic confusion. As a result, farming profits have dropped dramatically. The purchases of farm fuels, fertilizers, hardware, chemicals and machinery have also slowed resulting in mass unemployment in all sectors of our economy. The purchasing power of a bushel of grain has dropped to an all-time low, approximately 12 percent of 1950 levels. Therefore, during the past few years the standard of living of most farmers has dropped below the poverty line. We surrender more and more of our assets to stay in business. In such confusion farm equity is dropping and is now approximately 50 percent of 1982.

In the Saturday, April 16, 1983 issue of the Winnipeg Free Press a special advertising issue told us of the millions of dollars to be spent in the West on railways, tunnels and new equipment. Where will those dollars come from? They will come from a new freight rate for hauling grain as proposed by the Pepin plan. Clearly a change in statutory Crow rate will take even more dollars from an already faltering farm economy.

Freight rate changes might build more railways and create some employment but, on the other hand, reduce

farmers' purchasing power, resulting in more bankruptcies and further unemployment in the manufacturing sector, steel industries and transportation.

Lower 1983-84 initial grain prices as announced by the Honourable Hazen Argue, Minister of the Canadian Wheat Board, coupled with an increased freight rate will deal a final destructive blow to many Canadian farming operations.

I conclude by emphasizing that if ever we needed to keep the Crow it is now.

MR. CHAIRMAN: Thank you very much, Mr. Dern. Questions for Mr. Dern?

Mr. Plohman.

HON. J. PLOHMAN: I guess, Mr. Dern, what you're saying is that there could be some benefits to improving the rail system, but that certainly with all of the other expenses and the financial situation, the economic conditions facing farmers with all of their costs going up, and the price of produce not rising as well, that farmers and producers just simply cannot afford to pay more for the transportation of their grain at this time. Is that really what you're saying here?

MR. J. DERN: That is right. That is my standpoint at the moment.

HON. J. PLOHMAN: Do you feel that there will be a dramatic effect on the number of farmers, the family farm, with increases of five to six times the Crow rate?

MR. J. DERN: As far as I am concerned, I think it will. Like I said, it will deal a final destructive blow to many Canadian operations.

MR. CHAIRMAN: Further questions?

Mr. Uskiw.

HON. S. USKIW: Yes, I'm going to ask you the same question as I've asked the others. Some have volunteered it, others I have asked of them for their opinion, and that is, are you in favour of things as they are, that is, no changes whatever, or would you go along with changes in freight rates if you received more money for grain to pay for it?

MR. J. DERN: I emphasized that with the present conditions, with the present prices, we cannot see a change in the Crow. Should there be a change in the price of grain, a certain percentage of grain bushel prices to be paid in a percentage basis might be acceptable.

MR. CHAIRMAN: Further questions for Mr. Dern? Seeing none, Mr. Dern, thank you very much for coming here today and presenting your brief.

MR. J. DERN: Thank you.

MR. CHAIRMAN: The last name on our list today is Mr. Brian Podaima of the Broad Valley and Fisher Branch Pool Local Committees.

MR. B. PODAIMA: Thank you, Mr. Chairman. The presentation of this brief by the Broad Valley and Fisher

Branch Pool Locals states complete rejection of all proposals which tamper with the Crow rate. The survival of the family farm is at issue. Citing the high input costs, such as machinery, fuel and operating capital at today's low grain prices, there is no room for anything short of a bumper crop, which you merely break even.

We dare not dream of the 20.5 percent profit margin the CN budgets itself. Our grain export trade is in a mess. Canadian farmers rely heavily on the fragile world export market where we compete against countries who protect their grain growers with outright subsidies, an advantage that Canada's eastern manufacturers enjoy. This enables them to compete at the international scale. The western farmer only has the statutory Crow rate.

We have been used as pawns expressing political sympathy for the American embargo against our major customer. The Federal Government's policy that our "have" nation is obligated to feed the Third World and oppressed countries is truly honourable. We lend them Canadian money to buy Canadian grain, and then come home to find the receiver foreclosing on a Canadian grain grower unable to pay a Canadian bank. Because of the spin-off effect, every dollar that the grain trade brings the farmer, between \$4 to \$6 revenue, is generated supporting related industries. It only stands to reason that a country that would benefit so greatly should pay to sustain this lucrative arrangement.

Our situation in Broad Valley and Fisher Branch is unique because we are looking down both barrels of the CTC machine. One chamber holds the abandonment of our local rail service; the other chamber holds the destruction of the Crow rate agreement. Either one would destroy any attraction to grain farming in this area. The combination would be economically devastating to every farm and related businesses. No sane person would buy an enterprise doomed to bankruptcy. Thank you.

MR. CHAIRMAN: Thank you, Mr. Podaima. Questions for Mr. Podaima?

Mr. Plohman.

HON. J. PLOHMAN: Mr. Podaima, you have certainly put your message across very clearly and forcefully and I thank you for that.

I want to ask you, you mentioned a 20.5 percent profit margin that the CN would be granted under the Pepin proposals, what do you think would be fair in terms of a profit margin and you can certainly maybe comment of course on the fact that you perhaps have never had that on the farm? What would be a fair margin as opposed to what they are allowing?

MR. B. PODAIMA: A fair margin? I really think that a fair margin would be 20.5 percent or even 20 percent, but that should be also our profit margin as well. Our ability to pay should be tied into their profit margin in the grain handling end of it.

HON. J. PLOHMAN: So you think that kind of a profit margin then is fair if the people that are paying for it also would have that guaranteed as well?

MR. B. PODAIMA: When you're talking about a percent on the farm, which may be worth, let's say, \$100,000,

20 percent is \$20,000.00. When you're talking about, let's say, \$2 billion, 20 percent comes to a heck of a lot more than that. We have to operate and rebuild our farms, restock our machinery, and also have to sustain a way of life that we have been used to, there is no way that at present levels that we can make it. I don't think that they should be concerned either to make their 20 percent on the backs of the farmers.

HON. J. PLOHMAN: Well, I won't pursue it any further and just ask you if you have a suggestion as to what that figure might be. You seemed to indicate at first that you thought it was realistic if farmers also had that kind of a margin, but now it seems that you're perhaps saying they shouldn't have it. I'm just wondering if you think 10 percent, or 5 percent - this is profit we're talking about.

MR. B. PODAIMA: Well, you're looking at a return on investment. It's very hard to state exactly what a profit should be, but it should be enough to be able to rebuild. But these are depressed times, and to name a percent profit other than 20 percent I don't think I could name one.

HON. S. USKIW: Yes, would you care to deal with the same question that I've put to the others? That is, would you relate the price of grain or freight rates to the price of grain as a formula?

MR. B. PODAIMA: Tying the two together would be ideal but . . .

HON. S. USKIW: With a maximum? You wouldn't want it open-ended?

MR. B. PODAIMA: Definitely not an open-ended thing.

HON. S. USKIW: That's fine, thanks.

MR. CHAIRMAN: Further questions for Mr. Podaima? Hearing none, Mr. Podaima, on behalf of the committee, I'd like to thank you and the Broad Valley and Fisher Branch Pool for making a brief today. Thank you very much.

Gentlemen, that concludes the list of people who wish to make presentations today.

Our next meeting of the committee will be in Morden, Manitoba on Monday, April 25th at 1:00 p.m. The meeting will be in the Legion Hall in Morden.

I would like to remind the audience here today that if they wish to have copies of the transcript of this meeting and the other six meetings that are being held on this question, please register with the Clerk and she will see that you receive in the mail a complete set of copies after the hearings are completed.

Unless there is further business before the committee, gentlemen, I declare the meeting adjourned until 1:00 p.m., Monday.