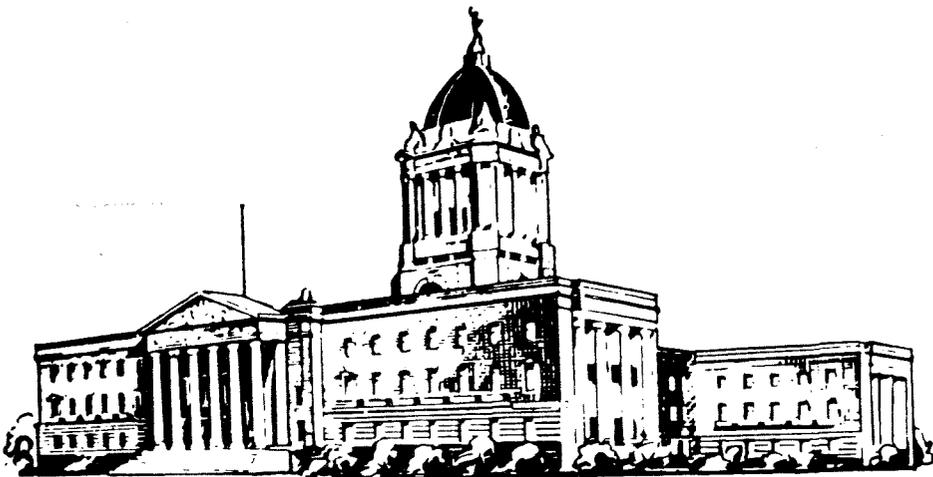




Fourth Session — Thirty-First Legislature
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Legislative Assembly of Manitoba
STANDING COMMITTEE
ON
AGRICULTURE

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty - First Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON AGRICULTURE
Wednesday, 23 July, 1980

Time — 8:30 p.m.

CHAIRMAN — Mr. Bob Anderson (Springfield).

MR. CHAIRMAN: Order please. The committee will come to order. We have a quorum. The first name on the list is the Manitoba Milk Producers' Marketing Board, Art Rampton.

Mr. Driedger.

MR. ALBERT DRIEDGER: Mr. Chairman, I just had occasion to talk with Mr. Rampton. He will be a few minutes late. We can maybe proceed with the others; he doesn't mind waiting.

MR. CHAIRMAN: Very well. The next names I have are Arni Peltz and Wendy Land, who I understand are appearing together regarding the Citizens' Health Action Centre.

MS. WENDY LAND: Mr. Chairman, Mr. Peltz is not here yet. I was intending to present my part of the brief first and can go ahead, if you wish, but I am anxious that I be followed immediately by Mr. Peltz.

HON. JAMES E. DOWNEY: Mr. Chairman, perhaps she would like to wait for the other individual who is going to present the case. If they want to wait for a few minutes it's quite all right with us, and call another member.

MS. LAND: Perhaps that would be better.

MR. CHAIRMAN: Mr. Dooley of Scarth Simonsen.

MR. THOMAS P. DOOLEY: Mr. Chairman, I am solicitor for the Manitoba Milk Producer Marketing Board and I will be appearing with Mr. Rampton when he arrives.

MR. CHAIRMAN: I see, thank you.
The National Farmers' Union, Jackie Skelton.

MR. LYLE ROSS: Jackie Skelton is not here but I am Lyle Ross and I will present on her behalf.

MR. CHAIRMAN: Would you proceed, Mr. Ross.

MR. ROSS: My apologies because I don't have a copy to hand out to you.

I picked out a couple of areas, in looking at the bill, that are of particular concern, some of the things, then, that we see that could happen to milk pricing.

I think earlier on it was evident, with some of the presentations, dealing with Section 3(2) of the bill regarding the cost of production formula, the concern there is the input, or the ability of milk producers to establish the price of what they produce for the marketplace, and it is certainly not clear in that that they have, in fact, any responsibility or power to do that, in establishing the pricing

formula. As a matter of principle, I think it has to be recognized that the producer of a product should be the one that sets the price on it.

I would say a major oversight, if it was missed out intentionally, they talk about providing a reasonable return on investment to the producer. The operation requires a fair amount of labour and I think it needs to be clearly stated that a reasonable return on labour is necessary.

I can't speak, in really specifics, in terms of dairying operations as such because, myself, I am a grain producer and not a dairy producer.

I think that it is probably debatable in terms of, right now, what we call a reasonable return. Many farmers probably have gone through situations where they had a negative return on investment and on labour many times in the past. Some industries look at 10 percent, some look at 20 percent being what they would call a reasonable return. To somebody who has got a loan at 15 percent, certainly 10 percent wouldn't be considered a reasonable return.

We agree that with the price setting mechanism by farmers of the price of milk, that hearings are not a requirement, saying again that the principle is that the producer of the product should establish the price of his product. In saying that hearings are not a requirement, I want to make sure that we also are conscious of the problems that can be created for people in the society that do not have the bargaining power to pay an established price, and that must be dealt with, but in a different way, from our point of view, than having them participate in the establishment of a farm gate price, which is the responsibility of the farmer, as we see it.

Section 3(5) probably is the one that causes the major concern, dealing with monitoring prices at the distributor and retail level. This section is completely inadequate to protect the interests of consumers. Low-income, rural and remote communities will be the most severely affected by what has been termed deregulation of the distributing and retail sectors of the industry. And if a cost of production formula can determine producer costs, certainly it can be used to determine distribution and retail costs as well.

There is just no doubt in our mind that if distributors and retailers are left free to set their own prices, that the criteria that they will use will not be what is quoted earlier in reference to producer costs as reasonable returns on investment. They have shown that the going philosophy on that will be maximum return on investment and without setting that price, we just open ourselves to faster and more complete integration of one sector of the food system that we're talking about right now, being the dairy industry.

The concern for people on low income and special needs, or people with special needs that cannot, in our society, don't have the bargaining power. That must be recognized by the government, and it must be dealt with, and we would suggest, dealt with by the federal government mainly, but needing the cooperation of the provinces, by establishing

programs that deal in fact with that situation, such as school milk programs and programs for supplementing the diets of low income people.

It's something that must be considered, but it must be considered separate from the pricing mechanism to farmers. But it also has to be considered in the light of this bill even more importantly, because this bill allows the retail and distributing sector to set the price that they want, which assures that they will try to gouge people.

Just another few more points that I think need to be looked at. Looking at this particular bill, while it doesn't appear to change an awful lot in the sense that the review commission is somewhat similar, as has been mentioned by others, to the Milk Control Board, if you look at what has happened and is happening in some other jurisdictions, in provincial jurisdictions, to milk and to the whole agricultural sector, and to orderly marketing, as a marketing concept for farmers, as opposed to what is called allowing the so-called free market to operate. In Canada there is a persistent force, pressure to undermine the orderly marketing structure that are presently existing, or have existed, and prevent the setting up of such structures in commodities which do not now have orderly marketing.

The dairy industry has to be viewed as one of the models of orderly marketing, even in the light of criticisms that people have of it and have had over the years, but adjustments have been made. It's the one that's been in existence the longest, it cannot be argued in any way that the existence of an orderly marketing system for dairy products created inefficiencies, when you look at the efficiencies in terms of production that have taken place per animal unit, whatever, over the time say, since the Second World War. Indeed it probably can be argued that an orderly marketing system, in fact, assures that efficient producers will be remain in production providing there's a constant price because it allows for long-term planning and, as a result, a more orderly operation.

I'm concerned that the introduction of this bill, with the change in moving from a regulated price for processors, distributors as they're called, and retailers, is just possibly a first step in deregulation, as it's called. That the next step envisioned at some future date is to deregulate the farm gate price and go back to a situation where dairy farmers, in fact, would not have a price but would have to take whatever was offered to them. I'm sure that there would not be too many dairy producers that would be prepared to go to that kind of a step. And while it can't be indicated in any way out of this particular legislation, I think it's necessary for us to look at what has recently happened in Ontario, where the move has been to take quotas and put them into what, I believe they call, quota exchange, or some kind of an exchange system.

And I'm sure that the pressure exists, even here, in spite of our pool price system and our no value on quota, to reinstitute values on milk quotas, and eventually move them to a trading exchange basis where whoever can pay the most for the quota gets the quota. I'm saying that because that is being done in Ontario and it seems reasonable to assume that there would be similar kinds of pressures to do the same thing out here and that, again, would be

devastating to both consumers and producers, because you have, what in effect is a deadweight value that has to be passed on, a cost that has to be passed on to consumers. You also have a built-in capital cost that makes it more advantageous for capital intensive operations, or at least operations backed by large capital supplies to take over the industry, rather than having family farms as such run the industry.

Another point I wanted to mention in regard to a previous comment I'd made, and I sort of throw it out because it looks to me like that's one of the things that is happening in rural areas, in particular, when I say that deregulating the distributors and the retailers in effect will have the most effect on low income, rural and remote communities. Distribution of all products right now in rural areas is one of the major costs associated with the product, whatever it might be, because in most cases manufacturing has been centralized, and in order for people in rural areas to get the product there's a transportation cost associated with it. Certainly we haven't solved the — don't appear to be looking at increasing energy costs and increasing transportation costs, and that obviously has to be passed on — or they're going to try to pass that on in the price of the commodities that move, in this case, milk.

So you may have a community like my own at Basswood, where we have a small store, which we would call a convenience store in our community since it's the only that exists, and it's just ready to re-open after being shut down for a while. It'll be open half a day. They handle a few groceries. The cost of getting milk to that particular store for a half-day operation will be one of the major costs associated with that milk when it gets there. It's becoming increasingly clear in rural areas that the idea that there is in fact competition existing between two different outfits is working to disadvantage of rural areas, because you may have two trucks stopping at a store delivering two products that have the same things, same quality, with the high distribution costs associated to them.

So it seems to me that the concept of co-operation is much more applicable to rural areas of Manitoba now than the concept of competition, in terms of providing service at lowest cost to rural areas. And for companies that are in the business of doing that, they are faced with the contradiction of continuing to do it as individual companies, and supposedly competing and seeing the cost of their product go way out of reach, or co-operating with each other, which sort of blows the myth that they're competing or colluding with each other; it looks like they're competing, but they're not.

I think that's all I can say at the moment, Mr. Chairman. If there's any clarification or questions I'll attempt to answer them.

MR. CHAIRMAN: Thank you, Mr. Ross. Mr. Enns.

HON. HARRY J. ENNS (Lakeside): Thank you, Mr. Chairman, it's always of interest to members of the committee when we hear representations, particularly from associations or persons speaking for associations. You know a little bit more about that association. For instance, if we have Mr. Dick Martin from the Manitoba Federation of Labour speaking to

us, he will indicate that he is speaking for x number of thousands of members that belong to that organization. If we're dealing with a commercial matter such as we were the other day in this committee, where we had a financial bill dealing with mortgages, the spokesman for that group will often give the committee members a list of all the different organizations that he is, in fact, speaking for. Just this afternoon, in the other committee that I also attend, we're dealing with professional matters, the nurses' bill, a bill dealing with the registered nurses, and the spokesperson for the professional nurses indicate to us that she is, in fact, speaking on behalf of 4,000 or 5,000 registered nurses in the province, and it is a help to members of the committee to know this kind of background. My simple question to you, sir, as spokesman of the National Farmers Union is, can you tell us how many Manitoba farmers are members of the National Farmers Union?

MR. ROSS: Are you concerned at this committee whether — all farmers, or those that are just dairy farmers, within the NFU?

MR. ENNS: No, it was a general question of total membership, of farmers in Manitoba that belong to the National Farmers Union.

MR. ROSS: Our membership at the moment is somewhere between 800 and 1,000 people in Manitoba. That's not people, that's farm families, which is the basis of the farm union membership.

MR. ENNS: Mr. Chairman, I want to put on the record and thank the representative of the National Farmers Union, for his candid reply. I've sat on this committee over the past 12 or 14 years and have often had occasion to ask that question of members speaking on behalf of the National Farmers Union, and have never received an answer, so I'm particularly thankful, Mr. Chairman, that Mr. Ross is forthright in his appearance before this committee.

My second question, if I may, this is just a simple question. It is not quite clear to me in your presentation, does the National Farmers Union support Bill 86?

MR. ROSS: In answer to his second question, no, we cannot support Bill 86 in its present form, because we cannot accept that the retailing and distributing sector does not have control.

In reference to the first question that Mr. Enns asked, I would say that its always been of interest over the years, I suppose, within the Farmers Union, that the people that ask us how many members we've got are always politicians, because it appears that politicians sort of judge the way they move, what they do or don't do, always based on numbers and the political sort of ramifications of that, and within the Farmers' Union, certainly we would like to see more than we have. I don't want to say that, but we know that we have set about a course of action that is unique in Canada for farmers and we know that that course of action is a long struggle, and it's not easy, and it's what we do within the union that makes that work. We know that what is different from any other organization is that we have a comprehensive farm policy position and that we have

done that in a process of democratic debate and lots of fights, and at the same time, through a process of debate. We are unique as an organization that unites farmers as farmers.

Now, I know, like I say, roughly how many we have in Manitoba because we don't have necessarily an ongoing record all the time. I cannot say how many people are actually dairy producers that are part of those members, but what I do know is that our policy position represents dairy producers right across ? — ?

the country, not just in Manitoba. I know that those producers, that dairy policy that has been developed in our convention by dairy producers, is then agreed to by all the farmers at the convention, which includes the beef producers, the hog producers, the grain producers, so that we create a unity amongst farmers of all commodities, not just farmers of one commodity, through that process.

I am not ashamed of the number we have; I would like to see more but I know that we have got a policy and a unity amongst the group that we do have that we can build on. We have been very successful the last, I would say, three years, in increasing our membership in one of the areas that is represented by our Minister of Agriculture. So we think, from that indication, that our policy positions that we have as a union are, in fact, being accepted by a number of farmers, even more so than the policies in agriculture of this government.

MR. CHAIRMAN: Before I recognize any further questioners, I would caution all members of the committee, as well as all delegates, that the remarks should be kept as closely as possible to the bills under consideration, namely Bill 86, although I do recognize that this particular delegate was led somewhat astray by the question that was put to him.

Mr. Enns.

MR. ENNS: Mr. Chairman, I accept your admonition but I do, again, thank the spokesman for the National Farmers' Union, that now indicates, although they don't keep ongoing records, we don't really know how many members there are, but your estimate is between 800 and 1,000.

Perhaps, by observation, you are quite right, there is an obsession with politicians about numbers. You see, if they had a few more numbers, they would be government and we wouldn't be, as indeed they had for the last number of years. So politicians do have an obsession with numbers when it comes to weighing representation and the weight one puts to that representation.

Mr. Chairman, those are my comments. Thank you.

MR. CHAIRMAN: Mr. Ross.

MR. ROSS: Mr. Chairman, when I made my reference to politicians, I was talking about politicians collectively, all politicians.

MR. CHAIRMAN: Mr. Driedger.

MR. DRIEDGER: Mr. Chairman, through you to Mr. Ross, you indicate that under the present bill, the

way it is right now, that the National Farmers' Union is not in support of the bill.

Does the National Farmers' Union believe in the establishment of a cost of production formula?

MR. ROSS: Yes, we believe that for dairy producers to remain in business they must have a return that returns to them their cost of production, plus a reasonable return on labour and investment and management skills.

MR. DRIEDGER: Mr. Ross, do you feel that this bill does not make provision for that kind of a situation for the dairy farmers?

MR. ROSS: I think I indicated, when I was talking about Section 3(2), if I didn't, the provision is there for a cost of production formula; there is no provision there for the producers to determine what that cost of production formula is. What I said was that the principle that we need to establish is that it is the producer of a product that should set the price of his product. That's not clear within the bill. But the provision for a cost of production formula is in the bill.

MR. DRIEDGER: Just one or two more questions, Mr. Chairman. In taking a position on behalf of the National Farmers' Union on Bill 86, has there been consultation with dairy farmers on this bill since the time it was introduced into the House, or is the position taken on the basis of the policy statement that you indicate you have?

MR. ROSS: The position is taken mainly on the basis of the policy statement and on some interpretations of the bill, the policy statement, but as a result of it being an overall policy statement, our interpretations of the present situation within the province of Manitoba.

MR. DRIEDGER: One more question. I have a little problem, Mr. Ross. Basically, we have had a fair amount of representation by the dairy producers over a period of time expressing concern about the pricing system, the way it was handled under the Milk Control Board, and the various producer groups, the Manitoba Milk Producers' Co-operative, as well as the Manitoba Milk Producers' Association, have lobbied at various times to government, indicating that they would want to see changes. Because our government felt that there were problems in the dairy industry, and we had representation to that effect this afternoon, this is one of the reasons why the bill is here.

I am a little concerned when a certain element of the dairy industry promote this kind of a bill, that the position that you take, as the National Farmers' Union, is opposed to it. I have a bit of a problem getting the rationale.

MR. ROSS: Well, if you will remember what I said, that we were opposed to the bill primarily because it froze the retailing and processing sector from any kind of control. That and, as I have mentioned, it is not clearly stated that the producers are in fact going to be able to set their cost of production

formula. I think those are pretty valid grounds to be opposed to the bill on.

MR. CHAIRMAN: Mr. Blake.

MR. DAVID BLAKE: Mr. Chairman, I just have a quick question for Mr. Ross, we don't want to keep him too long. In his remarks, he mentioned the small family farm, which I think you will find a great number of politicians agree with on all sides of the House. We have heard from dairy people this afternoon that indicated that something less than 30, 35, maybe 40 cows was really not going to be a good economic unit to start with. Do you foresee a return, in the rural community, to the family that would milk six, seven, ten cows, where the housewife will milk the cows night and morning while the husband is probably grain farming or doing some other type of mixed farming, on the smaller farms? Do you see, in your visits around the rural communities, any return to this type of an operation that was very prominent 30 or 35 years ago?

MR. ROSS: You mean by a return, a monetary return or more of those showing up?

MR. BLAKE: More of those showing up where the wife will milk six or seven cows a day and sell the cream.

MR. ROSS: That specific situation, as described by Mr. Blake, you don't see. Possibly, not be facetious, I could say that maybe has something to do with the fact that maybe there's not as many women there prepared to go out and do that now, and suggest at the same time they shouldn't expect to do that and not expect a wage for their labour that they're providing there.

MR. BLAKE: They should get fair return.

MR. ROSS: The situation on dairy production. the production unit itself. I think there's a wide variance between producers and I think that's a question that, as time evolves, there will be more information come out. I know of one example, in the area that I live in, of a fellow that has started an operation on a small land base, has started from scratch, and to hear him talk, the way he describes it, he's making out all right. This drought and lack of hay has certainly made it a big problem for him, I think he's been in the operation five years. He is in a situation of having to buy all his grain but he's been able to provide all his hay. Now he, apparently, is making out okay. Now, you know, I don't think you can generalize on one example like that. And I believe he's milking about 20-some cows. So I don't think that's a general trend but I think here's one fellow that's proving that maybe it's possible.

MR. BLAKE: He's prepared to work long hours and seven days a week. That's likely the secret for success.

MR. ROSS: Yes, he puts a lot of hours in. Yes, there's no doubt about that.

MR. BLAKE: That's fine, Mr. Chairman.

MR. CHAIRMAN: Mr. Adam.

MR. A. R. (Pete) ADAM (Ste. Rose): Thank you, Mr. Chairman. Mr. Ross, I want the record to be straight and Mr. Driedger's comments mentioned that your position was different than what we heard this afternoon and that's not necessarily correct, in all respects, because the information, as I recall, and I'm just speaking off the top of my memory now, that the bill in its present form was unacceptable. I believe you were here this afternoon and you probably heard the same as I did, that without further amendments that this bill was unacceptable to the Manitoba Milk Producers Co-operative. As well, I believe in answer to questions, they agreed or at least thought that they could live with maximum price limitation at the retail level providing that there were adequate formula in place to provide a reasonable return on their operation. So the statement that Mr. Driedger made was not accurate, in my opinion. (Interjection)— Well we have to get the record straight, Mr. Chairman, we can't allow questions —(Interjection)— well we want your questions to be honest, not dishonest.

Your main concern, as I see it, one of your concerns is that by deregulating the processors and the retailers, that this is a first or could be a first step to deregulating the entire industry. Is that one of your concerns?

MR. ROSS: Well that is a concern given the overall sort of pressure against any kind of orderly marketing structures. Like I have no basis, that step hasn't been taken in any jurisdiction yet. I've no basis to say that, in fact, is what will happen. But I can't understand why in fact, deregulation would occur at this time, on the part of retailers and wholesalers and I suppose another thing that I find strange is that while producers were not satisfied with the Milk Control Board, as it was set up, that the changes, as presented in this bill, appear to affect the retailing and distributing end, in fact, more than most others, and yet they're not presenting any submissions. I find that strange.

MR. ADAM: Yes, I agree. We haven't heard any briefs from the processors or the retailers up to this point in time, unless there are some here this evening. Would you be able to support this bill, with certain amendments to it, such as the maximum price at the retail level? And what other areas in this bill that you believe should be improved in order that the National Farmers Union would support it? Can you give us any . . .

MR. ROSS: The one definite requirement would be control mechanism on retailing and distributing. The area on the formula that is a point of concern, I presume, will be spelled out more clearly by regulation.

MR. ADAM: Are you finished? I'm not certain, Mr. Chairman, whether Mr. Ross had completed his . . .

MR. ROSS: I guess what I'm saying is that I'd have to see the amendments that were made to know whether we could support it, as such. Even at that there are obviously still necessary changes that go

beyond this particular bill that would have to take place within the dairy industry that are not included in this bill, as I see the limitations of the bill. You know, we've made presentations on that before in terms of the marketing strategy that needs to be used.

MR. ADAM: Mr. Ross, one of the concerns that was expressed by the other groups that we heard this afternoon was their opposition to having the commission set the formula. What are your views on that?

MR. ROSS: My views are the principle position that it's the farmers that should determine the price of what they produce. And what needs to happen there is that there would be a negotiation process go on between the farmers and appointed commission, which presumably could be this commission, although it is only empowered to — well, it could be this commission, if there was some negotiating process set up between producers and the commission, but that process doesn't appear to be there.

MR. ADAM: The last question: It was suggested by the other groups that made presentations that it should be an independent body of some sort. Now, that wasn't clearly defined who would be an independent body, but that is what was suggested this afternoon.

MR. ROSS: I don't believe that an independent body establishing the formula would make any difference. I believe that should be the dairy producers.

MR. ADAM: Thank you.

MR. CHAIRMAN: Mr. Orchard.

HON. DON ORCHARD: Thank you, Mr. Chairman. Mr. Ross, you indicated that of your 800 membership, that you had some dairy producers among that membership.

MR. ROSS: That's correct.

MR. ORCHARD: Well, it doesn't really matter, the numbers. Did you have opportunity to solicit their opinion on this bill?

MR. ROSS: No, I didn't. The opportunity I had was what I knew of their positions prior to the bill coming in.

MR. ORCHARD: So that I wouldn't, Mr. Chairman, be able to draw the conclusion that as a grain farmer, speaking to a dairy bill without consulting your dairy membership, that maybe the opinions were your own and not necessarily your dairy membership?

MR. ROSS: No, you wouldn't because I stated that I was a grain farmer, and that in terms of the specifics of the dairy operation, I was not qualified to answer that. What I am qualified to talk about is in terms of marketing strategies, whether we should have an orderly marketing system and pursue an orderly

marketing system, or whether we should have a marketing system for farm products where you let the so-called free market have its run. This bill, as I said, the main point in it appears to be the deregulation of the distributing and retailing sector, and I am certainly well qualified to speak on behalf of dairy farmers to say that that is not good for dairy farmers or for consumers in the country.

MR. ORCHARD: Mr. Ross, when you make reference to the orderly marketing, and if I recall some of your earlier remarks, in your study or your fact-finding of the dairy industry, I believe you indicated that since the mid-Forties, since the war years, that you have come to the conclusion that the orderly marketing system in the dairy industry had stimulated a fair degree of efficiency in that industry.

MR. ROSS: I said, when you look at the gains that have been made within the dairy industry in terms of the livestock end of it, their increase in production per animal unit and that kind of thing, that the orderly marketing system has certainly benefitted them. What I am really doing is comparing the dairy industry in that sense with the beef industry, which hasn't been — you know, it is sort of common knowledge, in that particular area the dairy industry has been moving well in advance of the beef industry.

MR. ORCHARD: Mr. Chairman, then I would take it that Mr. Ross would support the orderly marketing system as it has occurred in the dairy industry, because it has led to certain efficiencies, a betterment of the industry in general, through livestock improvement and what not.

MR. ROSS: I am saying that the orderly marketing system has been much better than it would have been if it had been a so-called open market system, yes.

MR. ORCHARD: Mr. Chairman, then I wonder if Mr. Ross would agree with the benefits that the orderly marketing system has given to the dairy industry in the last, say, 30 years, where we have seen the numbers of dairy producers drop from possibly 30,000 down to some 1,300 in the process of improving the efficiency of the industry.

MR. ROSS: I think in that situation you have to look at the farm sector in general and the farmers as farmers, and you will find that that change has taken place in every product area, but it hasn't been as severe within the dairy industry as, say, if you look at grain producers, livestock producers, or whatever. I am saying that that change in loss of producers, to a big degree has been because of overall agricultural policies, primarily at the federal level within Canada, that have not been designed for Canadian production to be at a self-sufficient level in most commodities, other than grain and oil seeds.

MR. ORCHARD: Mr. Ross, I find it rather interesting that on the one hand we could have the orderly marketing system in the dairy industry applauded for its bringing efficiency to the industry, and at the same time accepting as a fact of that increased

efficiency in the industry, a drop in numbers and quite a drastic increase in the size of individual operations, both of the latter policies which I think the National Farmers' Union from time to time spoke quite vehemently against, the increase in size of farming operations.

MR. ROSS: That's correct. We are concerned about whether or not the farming in Canada, as production of food in Canada, is going to remain under the control of farm families, or whether it is going to be under control of what we would call the corporate sector or the agri-business sector, and it is clear that the trend is to the corporate sector. It is very clear that that's the trend and that's why we have been pushing for policies to in fact assure that farm families are going to be the producers of food. So far as haven't seen the policies that are necessary.

MR. ORCHARD: Mr. Chairman, I would like to ask Mr. Ross if, in polling his dairy producer members of the National Farmers' Union, have they indicated to him that producer returns are adequate in the province right now?

MR. ROSS: I don't have numbers. I have said it is obvious from what I see that some people are saying it is not adequate, and it is obviously not, because people are going out of business, and I have heard some people saying that it is. But without those people testifying on their own behalf, I can't say.

MR. ORCHARD: So, Mr. Ross, you couldn't offer to us whether your dairy membership in the National Farmers' Union would request, as have several other milk producer individuals and organizations today, an immediate increase in the producer returns. You couldn't say whether your membership would . . .

MR. ROSS: No, I can say right now without much doubt that there needs to be an immediate increase in dairy returns. I'm saying that I think there are dairy producers out there that feel that there doesn't have to be but without them coming and telling you that, I can't say.

MR. ORCHARD: Then, Mr. Ross, would it be fair to say that that increase, which you've indicated is probably needed, would be needed regardless of what legislation the dairy industry was operating under, whether it was operating under the previous legislation or the new legislation, that need for increased revenue to the producer is there, is real and has to be addressed?

MR. ROSS: I believe so, yes.

MR. ORCHARD: Thank you.

MR. CHAIRMAN: Thank you, Mr. Ross. Mr. Uskiw.

MR. USKIW: Yes, Mr. Chairman, I wish to ask Mr. Ross whether or not the NFU has had any particular viewpoint with respect to the existing legislation prior to the introduction of this bill, as to its adequacy or as to any amendment that may have been made with respect to existing legislation.

MR. ROSS: In commenting on that I have to say that the prior legislation did not, in fact, allow the dairy producers any kind of way that they could in fact say, okay, these are the needed costs and this is what we get and we get approval from our membership. I'm saying that because of the delay factors I presume that was the big problem in the previous legislation.

MR. USKIW: Yes, the following question of course flows from the first one and that is, whether or not a simple amendment to the existing legislation is all that is required in order to give the producers a formula-pricing mechanism, as opposed to scrapping the whole milk control legislation, which is, in effect, deregulating the industry as a whole, other than producers.

MR. ROSS: That could well in fact be the case. Without having looked closely at both bills I'm, at this point in time, not prepared to say. But I suspect that maybe that could have been the case.

MR. USKIW: Well, one other point. Perhaps you're not aware, sir, but in perusing the old legislation, and the new, it becomes very clear that there are similarities to the point where one could argue there isn't much of a change in anything because of the wording that is applied in the relevant sections. But, on the other hand, we are in a quandry here because of the Minister's statement. It's not so much what's in the bill as much as it is in the Minister's statement, as to the intent of the new legislation. And his statement suggests that there will be, in fact, deregulation of the industry beyond the producer level. That's not what the bill says. The bills says that it still may be regulated "as the commission deems necessary". So we have a problem. We have a bill here that, if applied in one way on a discretionary basis, could be applied almost to a letter the same way as the old legislation was applied. The only difference being that the Minister has enunciated that it is his intent that it shall not be applied in that way and that the marketplace shall determine the price of milk at the retail level. But that's not what this bill says. So we have a bit of a conflict between the interpretation of the bill and the statement and press releases issued by the Minister and that is the difficulty that the opposition finds itself in with respect to understanding what the government's intentions are. Because the Minister is in a position to back up if he wants to back up and rely on those permissive clauses in this bill, to give him just as much clout insofar as intervention in the industry is concerned as he had in the old Act. I wanted to know from the people presenting briefs here whether or not they have' in some way, received a communication from the Minister as to the real intent of this bill and how it's intended to be applied.

MR. ROSS: On my own behalf I can say I haven't had any correspondence but possibly Jackie Skelton has.

MR. CHAIRMAN: That's fine. If there are no further questions, thank you, Mr. Ross for your presentation. Mr. Adam.

MR. ADAM: Yes. Mr. Ross, the members this afternoon who presented briefs indicated that the Minister had been in consultation with them in regard to this bill. Has the Minister or his staff been in discussion with your organization in regard to formulating this bill?

MR. ROSS: In regard to the formulation of this bill, not to my knowledge.

MR. ADAM: Thank you.

MR. CHAIRMAN: The Honourable Minister.

MR. DOWNEY: Mr. Chairman, on a point of clarification or on a point of order if the member would allow me a point of order.

MR. USKIW: Of course, we don't want to but we'll let you have the floor.

MR. DOWNEY: You can't control whether I have the floor or not, the Chairman will.

MR. USKIW: Well, if you make a point of order, that's fine.

HON. JIM DOWNEY: Okay then. Mr. Chairman, I believe there was some discussion with the Farmers Union when they presented their brief to us last fall, I just don't remember the date, but there was discussion on the Milk Control Board at that particular time. Am I not right, Mr. Ross?

MR. ROSS: Yes, I believe there was part of that presentation dealt with. I think that's correct.

MR. DOWNEY: Okay, thank you.

MR. ROSS: I think the other thing that I could maybe just sort of end by saying that it's, I believe as you will recall, in the spring there was a lot of concern at that point in time and we presented a position of emergency measures to both the government represented here and to the opposition represented here, dealing with the critical situation with farming and, particularly family farm operations in Canada, and those presentations were read across the country.

Now the situations haven't changed since the spring for the young farmers and in Manitoba and Saskatchewan they've got much more critical because of the drought situation. With the exception last spring, the concern about the very high interest rates, all of the positions taken by the Farmers Union at that point in time, are still very valid today and I just don't want to underestimate the necessity of legislators like yourselves — and I'm saying on both sides of this table — if you in fact give lip service to the concept of the family farm operation, which I hear both sides of the table doing all of the time, it's going to take more than lip service to preserve that method of farm production in Canada.

We have examples already in dairy; we've got examples with potatoes in the Maritimes; we've got examples of beef, of grain, it's all around us and I think we're going to need more than lip service from our legislators.

MR. USKIW: Yes, one last point, Mr. Chairman. With respect to the drought conditions and how that is affecting the dairy industry this year, would it be your preference that the consumer milk price be adjusted to cover the extra costs to the dairy industry of the current drought or would you prefer a direct subsidy on the part of the province to the Manitoba Milk Marketing Board, to be distributed to producers, to offset those additional costs?

MR. ROSS: Oh, I don't know. Thinking of it I would presume okay, if you make an adjustment directly in the price. I think it's significant to know that in the spring when we were talking about the crisis in agriculture, when we talked to the banking community as to who they were prepared to loan money to, they were more prepared to loan money to dairy farmers first rather than any other enterprise, in spite of what has been heard, like the fact that there are a lot of dairy people in serious trouble.

The interesting thing was as soon as the drought situation hit and it was very obvious that there was going to be no hay crop, the dairy producers knew, they were able to say right away, okay, we need hay and if we're going to pay extra money for hay, then we're going to want more for our milk. Right away they said, we want more for our milk, which again shows up the advantage of the orderly marketing system. I think probably you'll find that within the dairy segment of the province, as opposed to the beef segment, that dairy farmers will be more inclined, if they can, to hang onto their herds. Whereas a lot of beef producers have looked at the same program, basically, and said, well, there's no way we can go out and buy hay for our cattle because we have no guarantee at all that we'll ever recover that cost and we'd sooner get rid of them than take that risk, where at least the dairy farmers knew, okay, we've got some chance of getting extra value.

But just sort of responding off the cuff to your question, I would be inclined to say that it would be better to treat the drought situation as a special occurrence, as opposed to set a time to put it into a price formula or whatever, because we don't count on droughts every year. We have to put up with them when they happen and try to make it through but that's just a comment.

MR. ADAM: Yes, just a last question, Mr. Ross. I ask you again, did the Minister contact you in order to formulate this bill? Or did you have to contact him? That's the only communication that you had with him is when you came to the Minister last, whenever it was, last spring.

MR. ROSS: We had made reference to the dairy position in our representation to the government, but in terms specifically of Bill 86. To my knowledge there was no contact on it.

MR. ADAM: Thank you.

MR. ROSS: I personally had contacted my MLA about it and he kept me informed on the steps of it, yes.

MR. CHAIRMAN: Thank you, Mr. Ross, for your brief and for answering the questions of the committee.

The next brief is from the Citizens Health Action Centre. I believe Mr. Peltz is in the gallery. Mr. Peltz and Miss Land.

MISS WENDY LAND: Yes, Mr. Chairman. I am from the Ad Hoc Committee on Milk Prices, Citizens Health Action Centre.

In recent months we have conducted a campaign to gain endorsement for our position that the provincial government should introduce a milk subsidy program for low income, infants, children, pregnant and lactating women in the geriatric community and that the provincial government should maintain the pricing powers of the Milk Control Board.

To date we have received endorsements from 36 organizations in Winnipeg and the province and I would like at this time to read the names of those organizations into the record since many of them were unable to make their own representations to this committee.

These organizations are the Consumers Association of Canada; the Family Services of Winnipeg Incorporated; the Winnipeg Labour Council; the Native Clan Organization; the Winnipeg Police Association; the Winnipeg Society of Seniors; the Manitoba Paramedical Association; the School Council of the School of Social Work at the University of Manitoba; Machray Day Care Centre; Uni-Village Student Day Care Centre; Thompson Local of the United Steel Workers of America; the Native Alcoholism Council; the Shaughnessey Park Community School Council; the Manitoba Association of Social Workers; the Learning Assistance Centre, Freight House Day Nursery, Inc., Clinic, Inc., Marymount School, The University of Winnipeg Students' Association Day Care, Kid's Centre Co-op, The Fred Douglas Lodge Senior Citizens' Home, Winnipeg Native Pathfinders, William Whyte Community School, The Canadian Association of Industrial, Mechanical and Allied Workers, Argyle School, Nor'West Co-op Health and Social Services Centre, Munroe Day Nursery Inc., Norquay School, The Independent Co-op Enterprises, Inc., St. Vital Montessori School, Dufferin Community School, The Community Education and Development Association, Freight House Community Centre, and St. George's Nursery School.

With that information, I would like to go on with our brief. The first part of the brief, which I will present to you, deals with our concerns in general. Mr. Peltz, our legal counsel, will address specific legal concerns in the bill.

For those of you who are not aware, Citizens' Health Action Centre is a community-based health centre located at 425 Elgin Avenue. Health Action Centre is committed to comprehensive health care and employs a preventive model of health service delivery. Our goal, in a catchment area that is predominantly low-income, is to encourage self-sufficiency in the community through the process of developing good health habits among all of our members. This approach necessitates nutrition and diet counselling programs for individuals and groups in our area.

It is because of our commitment to the principle that good health is dependent on good nutrition that our board has in the past become involved in efforts to keep the price of milk within the reach of all consumers. To this end, we have participated at public hearings of the Milk Control Board over the past three years.

On July 18, we met with the Honourable Mr. Downey, Minister of Agriculture, to outline our concerns respecting Bill 86. In our brief today, we shall address ourselves to three major concerns respecting Bill 86, which we have already outlined to the Minister.

First, the need for the Manitoba Milk Prices Review Commission to continue the investigative study into milk subsidy programs for targeted groups, that was launched by the Milk Control Board in its order of June 1, 1980.

Secondly, clarification of the powers of the Milk Prices Review Commission in controlling the price of milk at both the retail and processor level and to ensure that there will be an affordable supply for all consumers.

And thirdly, the right of the consumer to appeal prices set for producers.

Let me go on, then, with the first concern. Milk has long been established as one of the most important readily-available nutritive sources, particularly of high-quality protein, Vitamin D, riboflavin, niacin and calcium. Among common foods, milk and cheese are the richest sources of calcium. Most other foods contribute much smaller amounts. Calcium, along with phosphorous, is essential for effective bone formation and necessary for the development and maintenance of healthy teeth. It is also utilized in the human body in blood coagulation, heart muscle function, muscle contractability and the integrity of various membranes.

While most adults can manage well-balanced diets without milk, for infants, children, pregnant and lactating women and the geriatric community, it is an essential part of a healthy diet, primarily because of the increased calcium needs of these groups. In other countries where cow's milk is not readily available, other sources of these nutrients may be utilized. Certainly, mother's milk assumes greater importance for infants. But in the States, and presumably the trend is the same in Canada, about 85 percent of calcium intake is derived from milk and dairy products. As a cultural phenomenon, cow's milk has become a nutritional necessity to North Americans. The current Canadian Food Guide supports this, recommending 16 to 24 ounces of milk, or milk products, 800 milligrams of calcium, for children under 11, and 24 to 32 ounces, which is 1,200 milligrams of calcium a day, for adolescents and pregnant and lactating women.

Current pediatric opinion, as exemplified by the Committee on Nutrition of the American Academy of Pediatricians, maintains that breast milk, or an infant formula such as SMA or Simulac, which are based on cow's milk, should be the only food for the first four to six months of life. Despite recent trends toward breast feeding, the majority of babies in this country are still bottle fed, either with milk-based formula or evaporated milk.

After other foods are introduced, usually at age six months to one year, infants are switched to cow's

milk and it continues to supply more than half of the needed calories and is the major source of many essential nutrients for this age group.

Present evidence also suggests that the calcium requirements of the aged, for good health, are at least equivalent to those of young adults. Data on bone mineralization in old age and data on osteoporosis indicate a need in many aged persons for greater dietary intake of calcium. This implies a greater consumption of milk, a product which is already expensive for a fixed income population.

The sources for the above information are quoted in the brief.

To go on: Milk prices in northern Manitoba are already considerably higher than in the more heavily populated southern areas of the province. While in Winnipeg the current cost of a litre of 2 percent fresh milk is 61 cents, in Churchill, it is 91 cents. According to public health personnel in Churchill, largely because of the cost of fresh milk, many children are presently being fed on evaporated milk diluted 50/50 with water. A can of Carnation milk is about 57 cents, which when diluted, works out to about 50 cents per litre. This mixture is the standard formula also used for infants. Many doctors in the north recommend this mixture to mothers because they know that SMA, at 85 cents a can, is too expensive for the majority of families.

Many of the northern communities have welfare rates exceeding 50 percent of the population. Their heavy use of the cheaper forms of milk is indicative of the combination of low incomes and high milk prices.

While the nutritional value of the 50/50 mixture is equal to that of fresh milk, the danger is that low-income parents will use extra water in order to stretch each can of milk, resulting in a hazard to the children's diets. The phenomenon has been observed where food budgets are under pressure.

We have argued in the past, as have many others, that each price increase threatens the place of milk in the diet of the poor, resulting in malnutrition and all of its consequences. Many studies, including those of the Montreal Diet Dispensary and President Kennedy's Committee on Mental Retardation, has shown that poor nutrition for the young can lead to growth defects, learning disabilities and mental retardation. It has also been pointed out to the Milk Control Board in the past, notably by Dr. Percy Barsky, who spoke on behalf of the Department of Pediatrics of the Health Sciences Centre and the Manitoba Pediatrics Society, and by Mrs. Ann Ross of Mount Carmel Clinic, that the lower consumption of milk that results from price increases, causes increased social and health costs as the results of malnutrition begin to appear.

We have come to the conclusion that the best solution for both consumers and the industry is a subsidy program that would ensure adequate access to good-quality milk for low-income, pregnant and lactating women, infants, adolescents and the elderly.

As we have suggested to the Milk Control Board in the past, and repeated at our recent meeting with the Minister, a milk subsidy program could take various forms, including use of food stamps, school milk programs, and special milk depots located in low-income neighbourhoods.

In 1978, the Milk Control Board recommended that the provincial Minister of Agriculture recognize the vital importance of sound nutrition to the health of the entire community and recommended that the department investigate means of establishing a program to ensure that all expectant, nursing mothers, and pre-school children, especially those in remote areas and from low-income families, receive regular adequate supplies of milk.

In its order of June 16, 1980, the Milk Control Board announced its intention to "initiate a review of possible means by which fluid milk may be made available to these particular target groups at a cost less than the maximum prices allowable by the board for regular milk sale."

We are most concerned that this review continue. For the reasons already cited, we consider that access to affordable milk is essential to the health and well-being of all consumers and specifically low-income, pregnant, and lactating women, young children, and the elderly. We, and other concerned individuals and groups, have repeatedly called for just such a study.

Furthermore, in our meeting with the Minister of Agriculture on July 18, 1980, we were assured that the review into a milk subsidy program introduced by the Milk Control Board on June 16th, would continue. The Minister also agreed that the powers of the Manitoba Milk Prices Review Commission should be expanded to ensure future studies might be launched by that agency when necessary.

Let me go on now to our second area of concern.

The Milk Control Board has been an independent watchdog agency, required by law to consider the interests of producers, processors, retailers and consumers and the public interest demands that this system of checks and balances be retained.

Health Action has never argued that producers should receive less than their full cost of production.

I would like to digress for just a minute to point out that it seems most unfortunate to us that, on a regular basis, it appears that poorly-informed members of consumer and producer organizations, and the media, regularly try to set up an enemy kind of relationship between producers and consumers. We feel that it is very clear to us, and we would hope it would be clear to producers, that our interests are very closely tied to each other and we are most concerned that producers receive what they need.

The difficulties being faced by the farm sector are well known and we sympathize, particularly with the smaller family farm operators. Nevertheless, it is no easy matter to determine accurately just what the real cost of production is and reasonable persons may well differ in their opinions. There are too many estimates and judgments required and too little hard data available in that area.

As a result, we say that there ought to be a forum where producers can make their case for price increases, subject to scrutiny by an independent tribunal, and subject to testing and questioning by other interest groups. The Milk Control Board fulfilled this function in the past and we doubt that anyone can argue with such a system in principle.

The change in legislation setting up the Milk Prices Review Commission has not made clear the right of consumers to appeal the price set for producers. In our meeting of July 18 with Mr. Downey, the Minister

assured us that this was the intent of the legislation. We feel, then, that an amendment is necessary to make access to consumer appeals completely clear.

The effectiveness of a consumer's appeal would, of course, depend upon continued access to cost of production information previously provided by the Milk Control Board.

Bill 86 provides that retailers and processors will be able to set their own prices for milk and that these prices will be periodically reviewed by the Milk Prices Review Commission. The government's rationale for this change seems to be that this will increase competition and thereby reduce prices charged to the consumer. We wish to draw attention to the fact that presently there is little or no competition among retailers, in spite of the fact that no minimum price has been set for fluid milk. While there may be some price competition under the new bill, we believe that the general retail price level will rise substantially. This will be particularly true in rural and northern communities and in urban neighbourhoods where consumers have access to limited retail outlets.

In summary, then, on behalf of the Ad Hoc Committee on Milk Prices, Health Action Committee Inc., wishes to go on record opposing Bill 86 as written, and to urge the government to amend this legislation to ensure:

1) that the Milk Prices Review Commission will be empowered to undertake a comprehensive study into establishing the means by which fluid milk can be made available to low-income target groups, specifically pregnant and lactating women, infants, adolescents and the elderly, at a price which they can reasonably afford to pay;

2) that the price control powers of the Milk Prices Review Commission be strengthened at both the processor and retail levels of the industry to curtail the possibility of windfall profits at the expense of denying an affordable supply of quality milk to consumers at the bottom end of the income scale; and

3) that consumer participation in the appeal of prices set for producers be guaranteed.

I now wish to turn your attention to our counsel, Mr. Arne Peltz, who will present legal arguments respecting changes to the Milk Prices Review Commission.

MR. CHAIRMAN: Thank you, Miss Land.

Mr. Uskiw.

MR. USKIW: I'm just wondering whether it would be wiser to have some questions of Miss Land so that we wouldn't lose track or context of her presentation and then get into the legalistic aspects of it. Now my understanding is that the next presentation will be based on sections in the bill and if that is so, it would be more practical to complete the one presentation and the questions that relate to it.

MR. CHAIRMAN: I'm the servant of the committee, if there's an indication as to the wish of the committee.

MR. EINARSON: I think that's in order, Mr. Chairman. Miss Land, we've heard presentations from farmers who are in the business of producing

milk for the consuming public and I don't know whether I understood you correctly but I tried to listen carefully to the gist of what you were trying to tell us this evening and are you aware that the farmers, in the production of milk, have not been happy with the decisions coming from the Milk Control Board?

MISS LAND: Yes. We've been aware that they felt that the schedule used by the Milk Control Board was not adequate to meet their needs, however, we feel that the problem that they express could be addressed by changes to the Milk Control Board itself, that would, for instance, introduce a more realistic cost of production formula. Which we would not be opposed to as long as we, as consumers, had access to the information upon which that formula was established so that when we made presentations appealing the prices set, we would have the information that would be necessary to make a comprehensive presentation.

MR. EINARSON: Second question, just to follow up from what you've just said and again make sure I haven't misunderstood you, Miss Land. Do I understand you then, from those comments, that the price formula that the Milk Producers Marketing Board have presented to the Milk Control Board, on behalf of producers, and there are certain things that go into the input as to the cost of producing a litre of milk. Do I understand you say that some of the things as inputs to the costs that the farmers were saying were real, yet the Milk Control Board did not accept some of those costs? Is that what you are saying?

MISS LAND: I think Mr. Peltz could probably answer that question more fully than I could. I just want to make the point that we recognize that producers have certain set costs. We would like to have access to the information on which they base those costs and we would expect that that information would be fed to an independent tribunal, who would consider their needs as well as the needs of consumers and retailers and processors, as has been the function of the Milk Control Board in the past.

MR. EINARSON: Thank you, Miss Land.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Mr. Chairman, I think probably it's worthwhile to pursue the area which you touched on, Miss Land, and that is that you have a great concern for the needs of people in society for milk supply and indeed the ability to afford the milk that they require. At the same time, I believe I detected in your presentation, the admission that it should not be expected that producers should bear the cost of the requirements of low income people who cannot afford prices based on cost of production?

MISS LAND: That's correct, in fact, that's why we've called repeatedly for a subsidy program that would address the specific needs of these groups. Not a subsidy program paid for by the producers.

MR. USKIW: I think, maybe, perhaps I can try this to see whether you can confirm or otherwise. It seems to me that in the historical context, presentations that have been made to the Milk Control Board, that dealt with the question of the needs of milk consumers, perhaps did belabour the Milk Control Board unnecessarily in that those requests properly belong at the doorstep of the government of the day, not as a matter that should be put before the Milk Control Board, who have two responsibilities according to the Act. One is to assure that the producers receive an adequate return on their labour and investment and the other is to make certain that there is an adequate supply of milk to the consuming public. I don't believe that the existing legislation required the Milk Control Board to take into account the fact that some people in society cannot afford milk at any price, or at whatever price. That was not their responsibility, and therefore, I believe that because many people who had a legitimate need, or expressed a legitimate need on behalf of certain people who are not in an affordable position to purchase milk, that perhaps they were approaching the wrong body and it had the effect of discouraging the industry, with respect to the way in which the Milk Control Board was functioning, in that it became very much involved and not preoccupied, but obviously occupied with the question of the needs of society as a whole, as opposed to the question of supplying milk at a cost reasonable and based on cost of production and the need of return to the producers in order to keep them in business.

And so, perhaps, what we ought to be doing, and you might want to confirm this or otherwise, is that we should try to separate our presentations so that an agency such as the Milk Control Board, or if this other commission is established, is not unnecessarily preoccupied or occupied with those considerations and that your view should be more properly presented to government, to the Department of Health, to the Minister of Health, who are responsible for the health of Manitobans and whose health will depend, and does depend very much on whether or not they have an adequate nutritional diet, which includes the consumption of milk and milk products. And I think if we could get that division properly channelled, I don't think we would have the kind of legislation before us that we now have and it's unfortunate that it has come to this stage, in my opinion. Because I believe that the Milk Control Board and producers, who were there waiting in line to make their views, were indeed frustrated by the fact that they had to take all of these position papers, even though they were powerless to deal with those questions. And so perhaps, maybe, you would want to comment on whether you believe that somehow we ought to separate the two areas. The needs, as opposed to the responsibility of any agency, that is established to establish milk prices or milk supply in Manitoba.

MISS LAND: I'm going to ask Mr. Peltz to reply to that.

MR. ARNE PELTZ: I think that's an arguable position. I don't really accept a lot of what you've said, Mr. Uskiw, if what you suggest is that the evils

that we now have with Bill 86 were partly due to consumer advocacy and I think it was effective consumer advocacy.

MR. USKIW: And they blew it.

MR. PELTZ: I would point out a couple of things. One, the legislation in the Milk Control Board Act, the existing legislation, which is your legislation Mr. Uskiw, says that considerations in fixing prices include a number of things and see the interests of consumers. Now that's a hard section to interpret. I took it, when I read it that you meant, when you passed it the interest in a broad sense, and certainly that's what we argued before the board and we argued it in court with some strength. Now if you want to define the interests of consumers differently, that's fine. But the existing legislation said, costs should be passed through and the interests of consumers, in many senses, have to be taken into account, and that would include supply, quality and also affordability. So I think that the legislation, if you like, begged for this kind of advocacy and that's what we did.

MR. USKIW: Well, I think its worthwhile, Mr. Chairman, to pursue that. My interpretation perhaps will be different from yours, because I don't believe that it was ever intended that the affordability of an individual had somehow to influence the decision with respect to the return to the producer, or in through the system. I don't believe it was intended that there should be a built-in subsidy to consumers at the expense of someone in the chain of supply.

MR. PELTZ: No, the Act doesn't say that.

MR. USKIW: That's right.

MR. PELTZ: We never argued that.

MR. USKIW: So that, you know, if you take the worst position, a person that has a large family and has no income shouldn't be expected, or shouldn't expect, to receive his milk from the Milk Control Board at a price that that family can afford. That responsibility is really the responsibility of the Minister of Health and that's where it should belong and that's where the submission should be made, Mr. Chairman. I believe we are on the same wave length.

MR. PELTZ: I don't think we disagree. We made those submissions, as you know, but we tried to take every tack. We used the administrative scheme, because it was there and it was intended to be used that way. If you believe in regulation and openness and accountability in the process, then this is what you get. You can't have it both ways. You can't be pious and say, consumers and everyone else can have their say, but then when they start to have their say, and start making procedural motions and appeals, say, ah, we don't like it. And that applies to the producers as well. They could have gone to court and in some provinces I think they have.

But the second thing is this, aside from the low income, the hardship argument, the legislation contains, and I think it ought to contain, a proviso

that the interests of consumers have to be considered and there should be appeals and that can apply to the Tuxedo consumer as well as the inner city consumer. That's in all the legislation, or most of the legislation across the country, in some form or other and so you're going to have this surface conflict, at least, all the time between consumers and producers. Although as Miss Land stated, and I think I agree, it's not really a fundamental conflict.

MR. CHAIRMAN: If there are no more questions at this time, Mr. Peltz could you deliver your brief?
Sorry, Mr. Uruski.

MR. URUSKI: Miss Land, could I ask you, in your brief you indicated that you wished the right of consumers to appeal prices set by producers.

MISS LAND: Prices set for producers, that was a typing error.

MR. URUSKI: Set for producers. Would you be opposed if the legislation that's presently before us gave the consumer association the right to appeal the retail price. Would that satisfy your group, that is a public hearing was held into the setting of the retail price, while whatever formula the producers had that was agreed upon, or would constitute their end, but that the end price would be the one that could be dealt with? Would that be satisfactory to your group?

MISS LAND: I'm not sure that I understood you, Mr. Uruski. The proposed legislation allows us to appeal prices set by retailers and processors. We're not satisfied with that method of regulation. We feel that prices should be set by an independent tribunal, who considers the interests of all of the interest groups in the chain.

MR. URUSKI: But, if you, at that hearing, and all the prices and input costs would be considered at that hearing, but the final price would be determined by the commission, would that not satisfy your concerns that the retail price of milk would be able to be reviewed and set, if that was the case?

MR. CHAIRMAN: If that question is in the brief. Mr. Orchard.

MR. ORCHARD: Mr. Chairman, I just have a couple of questions I'd like to ask Miss Land. Miss Land is a fair description of the ad hoc committee that, by and large, you are a consumer group?

MISS LAND: Yes.

MR. ORCHARD: Miss Land, are you aware of some of the most recent producer concerns — and I'm talking about individual producers — in terms of their concern about receiving an adequate level of return. In other words, if I can put it bluntly, we have heard from a number of organizations that the price the producer receives today is inadequate possibly, by as much as 5.00 a hecto-litre, which would be 5 cents a litre.

MISS LAND: We are certainly very aware of those expressions. We would hope that if the producers truly are not receiving a real cost of production for their product, that they would be willing and able to defend the figures that prove that in front of an audience that includes consumers.

MR. ORCHARD: Well, Miss Land, I take it then that properly identified, the consumers that you represent in the Ad Hoc Committee wouldn't object to that 5.00 or 5 cent a litre increase in price.

MISS LAND: That's correct, properly identified.

MR. ORCHARD: Right. Quite frankly, I think we have to — although I don't expect you to comment — but I believe that that is a legitimate price consideration that our producers face in this province, unique to even our neighbouring people in Saskatchewan, if that is the case to the producer, that price will no doubt be reflected right through to the retail market so that the consumers you represent may well be paying that 5 cents directly in increased cost.

MISS LAND: That's correct. However, I think that makes even stronger our argument that there is a need to look at some sort of subsidy program for low income target groups who are right now squeezed by the cost of milk and will be even more squeezed in the future. You see, we're not suggesting that the price of milk to consumers in general may have to rise. What we are saying is, that first in the setting of a new price we want to have access to all of the information and be able to make arguments concerning it.

Secondly, that while it may have to rise for consumers in general, if it rises for low-income consumers without some help being given to them, that we are seriously endangering the health of a segment of our population.

MR. ORCHARD: Miss Land, fully appreciating that, but basically I guess what you're indicating is that consumers — at least the consumers that you represent — would like to avail themselves of the books, the cost of production figures involving the inputs, the return on investments, the level of profit, etc., etc., that are plugged into a cost of production formula to base a producer price. That's what you'd like to avail yourselves of as consumers.

MISS LAND: Yes, and in fact we've had access to that information in the past when we made our report to the Woods Committee report. Our council was able to gain access to the information that allowed us to make a very detailed and strong argument in response to that report. So it would be, what we're asking for, is a continuation of the same access we've had in the past.

MR. ORCHARD: Right. Miss Land, this may seem like a facetious question, but I want to assure you that it isn't. What basically the consumer would like to see in the pricing formula is access to, basically, the business records of a dairy producer. Would it be equally fair, since our concern is for the proper nutrition of a — and we've identified the low-income

people in our society as being the group that we're most concerned with — would it be a fair analogy to have available to the milk producers the budget of the low-income families so that they can determine that indeed that low-income family is spending their food dollars wisely and getting value for their dollars?

MISS LAND: It seems to me, sir, that if the government would get busy and get that review going, that they would in fact, I would hope, be able to draw that information out very quickly and be able to establish in an objective and informed way what we have been saying all the way along. I agree that that information is necessary but we can't do it. It has to be the government that does it.

MR. ORCHARD: This would then become part of the review process that the consumers would put the producers through to prove that they needed an increase in production. Likewise, I suppose, the producers could say, well, we want to see the budget of this target group of people to assure that they're not spending, let's say, a little bit too much on coca cola and not enough on milk, etc. We'd go through that process and it would be fair for both sides?

MISS LAND: I would like Mr. Peltz to respond in more detail or to correct me if I'm wrong, but it seems to me that we are not asking for the budgets of individual producers. We're asking for industry-wide information. In the same way, we would not expect that individual low-income families would have their budgets reviewed, but rather that we would look at it in the context of such information as what welfare rates are available and etc.

MR. ORCHARD: Yes. Just one final statistic that has been developed, using the weekly industrial wage index; in 1970 it took .09 hours of work to purchase a litre of milk; and in 1975 it took the same .09 hours; in 1980 it still takes .09 hours to buy a litre of milk. And I realize we may not be talking the target low-income group, but in relative terms, certainly milk has been one of the most constant values of food products, probably of any that we have, and I'm sure that your group is probably well aware of that.

MISS LAND: That's right. It has to be pointed out though that those figures are not applicable to low-income families. It takes a great deal more on a percentage basis. Thank you.

MR. CHAIRMAN: Mr. Cowan.

MR. JAY COWAN: Miss Land, I notice when you opened your remarks you indicated a number of groups that are involved with the Ad Hoc Committee, and there were a number of groups that were from the north and a number that would represent northern interests, and you did take a portion of your brief to discuss the specific situation in the north. At that point I believe you gave milk prices for 2 percent milk in the community of Churchill.

MISS LAND: That's right.

MR. COWAN: I was reviewing some prices before coming in here and I can inform you that in the community of Island Lake, or in that Island Lake area, the cost of a litre of homogenized milk is 1.15 compared to .65, or .66 or .67 cents in the city. So the differential is even greater in the more isolated communities. And taking that as an assumption which I think we would all agree to, I would ask you if you believe, because of the transportation difficulties, the geographical isolation, because of the fact that the retail outlets in the north are sparser, there are fewer options and fewer opportunities for people to pick and choose which store they are going to purchase their milk at; if you would agree that this bill is probably going to have more impact on the north and, in specific, on isolated communities, than it will on other geographical parts of the province?

MISS LAND: Yes, I agree, and in fact commented on that in our brief, in that we pointed out that the deregulation couldn't have an effect on competition in a community where there was no competition. Our expectation is that prices will go up, and go up in a particularly uncontrolled manner in such communities.

MR. COWAN: So that the impact on consumers in those communities will be more widely felt and more harshly felt than they will in other communities. I would then ask you if the Citizens Health Action Committee has done any work in regard to the necessity for persons in the north to count milk as a part of their diet and if they have done any research in regard to whether or not that necessity is being fulfilled at the present time.

MISS LAND: Our research is of a very informal kind. It's largely through conversations with Public Health Nurses and such personnel in northern communities. Our comment in the brief that many low-income families were attempting to keep the costs down by diluting evaporated milk at a greater level than is recommended by the medical profession, that practice was fairly widespread and that it became more widespread as money became less available.

MR. COWAN: So that would be a particular problem in the communities where you might have homogenized milk going for the price of 1.15 per litre.

MISS LAND: Yes, for sure.

MR. COWAN: And one could draw an assumption that perhaps part of the high infant mortality rate that is suffered throughout northern Manitoba, which is unreasonably out of line with infant mortality rates in any other part of the province, may be in part due to the high price of milk and the lack of affordability for the residents of the north to be able to afford nutritious milk for a part of their diet.

MISS LAND: I'm sure that's the case, and your question or comment leads me to make a comment on a bit of a digression from my own experience.

I'm a teacher in an inner-city neighbourhood, and at our school we have a nutrition program that provides milk to our students. I would like to make a couple of observations: One is that the number of learning difficulties experienced by my students is absolutely overwhelming, and that I strongly suspect that many of them are related to poor nutrition all the way from conception upward. Certainly their diets today are not adequate, and I strongly suspect, from my knowledge of the community, that the diets of their mothers while they were being carried, were also most inadequate.

I have only been at the school for three years, and the nutrition program has been in place during the whole time that I've been there, so I cannot comment directly on the difference in the children before and after the program. However, many of my colleagues have commented in terms of what a difference it made, particularly for younger children, to their ability to perform in the classroom, once the Breakfast Program was introduced. I know from my own experience, that those children who attend the Breakfast Program regularly, perform much better on those days when I know they've had breakfast than on those days when they haven't. I guess I'm making those observations just to add a little bit of personal experience to what I'm saying, but I think it backs up our argument that milk is a really important nutrient component and good nutrition, and that the poor, both in the city and in the north, suffer from their inability to afford it.

MR. COWAN: Thank you. I do appreciate, and I'm certain other members of the committee do appreciate your personal experiences, because they bring a different perspective to some of our discussions and are welcomed. I would not want to discourage you from making more if you feel it's necessary.

I would ask you this in regard to northern conditions, if in fact the level of nutrition, the ability of a person to have proper nutrition, will affect that person throughout their life in a negative way. If they are lacking a proper nutritional diet, they are going to perform less well in school; they are going to be less healthy than other persons; that if the assumptions that we have made that this bill will allow the price in the north to increase at a faster rate than it increases in other areas, and if it will have a particularly destructive effect on the ability of low income families in the north to get a proper nutritional diet, that we as a society in fact will have to subsidize this bill through increased health costs, through other costs that are built into the system, that we as taxpayers are forced to pay. Would that be again a threat?

MISS LAND: Yes, it certainly would be, and in fact, that was the point that we were attempting to make when we alluded in our brief to increased social and health costs to the community at large. You've made it very well.

MR. COWAN: So we are, in fact, going to have to subsidize the inaffordability of milk in one way or another, and what the Citizens Health Action Committee is asking, is that perhaps a subsidy should be built on the front end so that it just

becomes a financial subsidy, rather than have to provide subsidies on the tail end, which become not only financial subsidies through increased health costs, increased institutional costs, but also become a totally inappropriate and unacceptable subsidy on the value of human life and the value of human health. Would that be a proper way to put it?

MISS LAND: Very well put.

MR. CHAIRMAN: Mr. Driedger.

MR. DRIEDGER: Thank you, Mr. Chairman. I would just like to make a few comments and ask one or two questions.

I have to agree with the Member for Lac du Bonnet and his comments that he made that possibly over the years the consumer representatives, in making presentations to the Milk Control Board hearings, possibly should have directed their activities towards government rather than present it to the Milk Control Board.

Possibly the groups that you represent, in following up what the Minister of Highways commented on before, possibly some concern could have been shown in the direction of how do people spend their money in terms of grocery buying or whatever their expenditures are. Producers this afternoon made comment to that effect, that when they present their case to, for example, the Milk Control Board, they have to give total disclosure in terms of what their costs of production and things of this nature are concerned. Still, nobody has ever looked at the area of how is the consumer spending his money, and if it's right for one it should also be right for the other in terms of showing cost of production on the part of the producer and the money that is spent on behalf of the consumer.

The question that I have is, over the years, when representation has been made to the Milk Control Board regarding the application by the producers for an increase, there has always been a fair amount of criticism brought forward as to whether the figures that were presented were qualified, or stuff of that nature. The people who scrutinized the cost of production figures, for example, at the hearings, are these people who are qualified and know the business of the dairy industry, or is it just sort of a general opposition to the increase or the figures?

MISS LAND: I cannot comment on the questions asked by groups other than ourselves. I know that whenever we have prepared a presentation to the board we have done it in the context of quite considerable consultation with both legal experts and people familiar with the dairy industry.

I might also comment that the Milk Control Board itself has alluded to the value of our submissions in at least one of its orders. I think that your assumption, or your presumption, is difficult to respond to on any other level than that. I feel that certainly our questions have been well-informed questions.

MR. DRIEDGER: To follow that up a little further, the producers, in making their presentations to the Milk Control Board, have felt that they have not got proper consideration, even with the figures that the

Milk Control Board would accept. Do you feel that the producers have been getting fair consideration on a totally consumer-oriented board?

MISS LAND: I don't feel that it's appropriate to describe the Milk Control Board as a totally consumer-oriented board. Mr. Peltz knows the makeup of the board more specifically than I do, but I do know that there are not just consumers represented on that board.

MR. DRIEDGER: Are there producers on the board?

MISS LAND: Perhaps somebody else is better informed to respond to that, but I would expect so.

MR. DRIEDGER: The reason why I bring this up, because apparently our producers have come to the stage where the various groups do not even bother making representation to the Milk Control Board. They have absolutely no faith in the system the way it is set up right now. At the last hearing, I think no presentation was made on behalf of the producers. They felt that the treatment they were receiving was not in their just cause and for this reason this is why we have had the pressure on government to try and change the system and subsequently this is the reason for the bill here today.

MISS LAND: Are you aware that we also have criticized the Milk Control Board and its interpretation of the legislation setting it up? I think that the question is not whether or not the Milk Control Board was the best of all possible solutions to the problem, but rather whether or not that mechanism was a more just mechanism than the one that is being proposed at the present time.

I think that there are very few people in the four branches of the industry that would disagree with the observation that the Milk Control Board needed fixing up. That doesn't necessarily mean that what it needed is the present legislation.

MR. DRIEDGER: Thank you.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Miss Land, I would like to pursue the relevant part of some of your last comments with respect to your input into the decision-making process. You had indicated that you would want to have the right to examine the position taken by any sector of the industry as to its costs, and therefore related needs in terms of prices and markup, which I can't argue against. But what I would like to find out from you is whether or not you wouldn't deem it reasonable to simply be allowed to make a presentation, based on information that is provided for you, on the formula that is being proposed for producer prices. The commission is going to set up a formula price for producers, which will then be the base from which the processing industry and the retailing people are going to function, or take off from.

Would you be satisfied with at least having the information on which those formulas are established, from time to time, and the right to examine and make comment on them, as opposed to going back

to the old system of having to have hearings, rather than functioning by formula?

MISS LAND: I didn't really get the point of your question until that last comment, but I would like to ask Mr. Peltz to respond to that, because I think he can do it in a more cogent way than I can.

MR. CHAIRMAN: Mr. Peltz.

MR. PELTZ: It is obvious from our presentation that the concern is mainly with the retail price and the fact that it's been set free. In the brief which will follow, which goes into some of the details, in which we basically say, okay, given this bill, what could you do to give it some teeth and make it work within its own context? We have said something quite reasonable, I think, we have just said, well, if the milk commission is going to make an order under Section 3(2) and set a formula which then is used, until it may be changed, then if the producers can appeal that, as obviously they have to have the right to do, then surely the consumers or anyone else who's interested should have an equal right to appeal it. The reason for saying that is obvious, that the setting of the formula is key, I don't think that, to try and answer your question, I don't think that we're vehemently opposed to the removal of the hearings, although that's basically what we're saying, at least insofar as retail prices goes. We recognize that there's a problem although delay is somewhat in the eye of the beholder, but we're saying, at least if you go this route, why can't the consumer have an appeal the same as the producer. Maybe the response to that is, well an appeal isn't an appropriate way to do it. It seems to me that what you've just said, there should be some opportunity for a proper hearing, is correct, I can't disagree with that. We're into these appeals and appeals on appeals, because of a two-tier system, which is hard to understand in an administrative sense, why the two tiers? But we've got the two tiers, and the legislation says the first procedure is secretive basically, it's internal, so there has to be something else and that's why we've said, well, if the first process is internal and secretive, then, of course, we demand as consumers side, the right to some sort of an appeal, just as the producers have.

MR. USKIW: Well, let's pursue that one step further. I believe there is credibility on the part of the producers who want to change the system of adjustment and would prefer to function from a formula, as opposed to a set of hearings every time they want to change. I don't believe that that is a bad request. I do have a concern with respect to whether or not their presentation should or should not be challenged by anyone, and therefore I ask the question, if it gets to the stage where it is an appealed decision, would it satisfy the consumers' groups and your groups to simply be provided with the evidence, which must be provided to the appeal body by all interested parties and that you be entitled to make your views based on that evidence?

MR. PELTZ: This is at the first instance, you're saying?

MR. USKIW: No, at the second instance.

MR. PELTZ: At the second instance?

MR. USKIW: Yes.

MR. PELTZ: Well, that is what I understand by the appeal. Are you saying . . .

MR. USKIW: No, I'm saying, would you be satisfied of having the right to all of the information, as to costs and so on, all the arguments that are put forward for the adjustment in the formula, would you be satisfied with having that right at the appeal point in the deliberations? The second approach.

MR. PELTZ: Yes, I think that's what our brief says. Maybe I should go through the brief.

MR. USKIW: I think that's reasonable.

MR. CHAIRMAN: Mr. Peltz, would you present your brief.

MR. PELTZ: Mr. Chairman, we distributed copies of the brief which is entitled "The Legal Submission" and I hope there were enough to go around, or at least for most members. If you'll have a look at the Table of Contents, the inside page, you will see that the brief is divided into four parts. The first part is introductory, but the next three parts are variations on a theme as a result of meeting with the Minister which we were privileged to have last week.

The first section No. 2, presents what, in our view, are matters agreeable in principle to Mr. Downey, on Friday, subject as he said, to some thought and consultation with his advisors and that's the section that I'll deal, with first because, obviously if it's agreeable to the government, and if it seems reasonable to the other members of this committee, then perhaps those amendments could be made. And the subject matters are set out there.

No. 3 deals with two particular points we raised and discussed with the Minister and he did not tell us he was opposed to, he said he would take them under advisement, and I presume that he's had a chance now to give them some thought. And if I can I'd like to put him on the spot in answering those although I'm not a member of the committee, that's the job of members.

The final area, No. 4, is Other and these basically are things that we didn't get into due to lack of time or just philosophical differences, if you like, between our group and the intent of this bill and that comes last.

So if I can proceed through it. First some introductory comments:

Health Action Centre has been on record for some time as supporting the existing price-control powers of the board. As a result, I suppose, along with some other members of this committee, we see no need for the introduction of Bill 86. Even if one concedes that the producers have a legitimate complaint about the impact of price control upon them, there is no discernible reason for bringing forward the sweeping deregulation contained in this bill as regards the retail price of milk.

It is strange and ironical that this bill, obviously prepared as a result of the ongoing producer campaign against the Milk Board, should leave the farmers in roughly the same position as before, while the rest of the industry is freed to engage in the manipulation of the so-called "free market". In this regard, the producers have our sympathy.

And when I've heard the producers complain, it's very hard not to stand with them, at least on that point. There's been some ventilation of the question of the equities of milk pricing, and the affordability issue. I would just like to say at this point that, as Miss Land did, we've never, in some three years of participation in the existing system, we've never said that there should be anything less than a fair return, cost of production return to the producers. We've sometimes quarrelled in hearings with the details. That's part of the process, as I understand it. The process that any regulated industry goes through in justifying what it seeks, and I don't think anyone can validly say that they are entitled to a return, or to a price, especially a publicly set one, without having to justify it. So we've said, justify X or justify Y, but overall we've said, as the producers have said, that they have to have a return. No dispute about that. And when it's been apparent that there's hardship, we've also said that there should be public subsidies from public revenue, not from private revenue or from a particular part of the industry to meet the hardship cases. Should we have gone to the government? Perhaps we should have, I think we tried to address the public, to address the board and we also tried to address the government, and indeed, by virtue of our appearances and appearances of other groups, the government was approached, and Mr. Downey was approached in 1978, at the end of those hearings. The fact is that his response was extremely curt and to the point, and he didn't recognize, at that time, any validity to the suggestion by the Milk Board and our suggestion that there was a special hardship and this should be met by a special program. Well, the problem hasn't gone away and so the suggestion is still being made today, and indeed has been made by the Milk Control Board in 1980.

However, I wanted to make it crystal clear that we never said the producers should pay or to respond to some of the comments made by producer spokesmen, which I think were based on misunderstanding which I'd like to try to clear up. It was never suggested that we regarded them as villains or the consumers regarded them as villains. Our position was clear, and I'm prepared to produce the briefs which we submitted two or three years running which contained the statement that fair return and cost of production should be built into the price provided. The Milk Board, of course, said the same thing, and the dispute was always on the exact figure. As, I think it was Mr. Green, pointed out, there has always been that kind of a dispute since time immemorial. I doubt that we're going to resolve it, no matter what kind of legislation is passed. In any case, that's been the Health Action's position, and it's been a consumer position, but also, I would submit, not an anti-producer position.

Going back to my brief, no one knows with certainty what will happen to the retail price after deregulation under this bill. In this day and age, talk

about the moderating effect of the market and the value of open competition must be taken with a large grain of salt. Anti-combines' legislation in Canada is a bad joke. As the Supreme Court of Canada said about a week ago, action which results in a lessening of competition as a result of collusion by industry is legal in Canada, not illegal, but legal. Under our legislation, it is undue lessening of competition which has prohibited, as has been evident by some recent cases, including the sugar case, federal prosecutors are having a very difficult time proving cases where they embark upon prosecutions.

So that particular response that there will not be collusion of any sort because it's illegal, I submit, is not completely well-founded, because co-operation and lessening of competition is not illegal in this country. Only when it's undue is it illegal, and then you have a very difficult task of deciding what's undue and persuading a court that a particular situation is undue. Many people have said that combines' legislation is a bad joke; I don't think I'm the first person to say it.

The sorry state of competition law in Canada is relevant to this bill because, at least at the processor level in Manitoba, you've essentially got an oligopoly, and while there are many retail outlets in large urban centres, as we've heard a few minutes ago, the situation is very different in rural and northern areas of Manitoba. Consumers, I would submit, have a well-founded fear of the kind of assurances that have been put forward so far that the market is going to protect them.

Now, the Minister will point out to you that Bill 86 does not deregulate the retail price — that's been my word. He will say that because the Milk Commission does have the power to intervene where necessary. It is suggested therefore that the bill gives us the best of both worlds, competition where it's possible and regulation where it's necessary. Later in this brief there will be some detailed criticisms of the monitoring and appeal provisions of this particular bill, but the basic question I think for this committee is, will the government or its appointees on regulatory boards have the will to intervene aggressively in the dairy industry to protect the consumer interest when that's required? I leave the answer to that question to be debated by members of this committee. However, we can say this much. If the answer to the question is no, that there is not going to be that kind of intervention as required, then clearly what the public will get from Bill 86 is the worst of both possible worlds.

Now, just by way of a short digression on the question of competition and whether the public should have faith in competition in regard to this bill, I would like to read to you a couple of excerpts from Business Week Magazine, May 15 of 1978, which was sent to me by someone after one of the Milk Board Hearings. It's a feature article on Beatrice Foods, which of course is the parent corporation of Modern Dairies, which I understand has a plurality or a majority, if you like, of the dairy processing business in the province. I don't know what the percentage breakdown is exactly because we failed in our attempt to get that information.

This article concerns U.S. state prosecutors cracking down on business, and starts off by saying that beginning in the early 70s, state prosecutors

have been dusting off old statutes, working up new legal theories and even putting together co-operative efforts to bring anti-trust, securities fraud, pollution, discrimination and consumer protection suits against such blue chip companies as General Motors, Bethlehem Steel, Beatrice Foods and a whole list of others, Good Year Tire, International Paper and so on. And then after some general description, it says the following: Beatrice Foods paid a 200,000 fine and costs to the State of Colorado, the largest criminal fine ever collected by that state, for violating state milk marketing orders by giving secret cash discounts to some retailers.

The article goes on to talk about a recent acquisition being made by Beatrice Foods, I'm not sure what the result was — this was 1978 — where it acquired an orange juice company called Tropicana and entered into competition with Coca Cola and its subsidiary, which I think is Minute Maid — no, I can't recall the name offhand. And as a background on Beatrice Foods, which of course is the parent corporation, it's described as having climbed to the pinnacle of the nation's processed food industry; it's described as a 6.2 billion company leading the industry in sales and profits, also being a diversified company, some of the product lines being Danin Yogurt, certain kinds of ice cream, sausages, JBL Stereo Equipment, Samsonite Luggage and others.

I don't want to be interpreted as saying that Modern Dairies in Manitoba has violated any laws; I'm not saying that, and I'm not saying that they intend to or that they will. I'm simply saying that the consumer might take the assurances of competition as a control with a grain of salt on reading articles like that in Business Week Magazine.

Getting into the detail of our submission on amendments which I hope the committee will consider, first of all, amendments which I believe to be agreeable in principle to the Minister. On July 18th we met with the Minister and two of his advisors, and although we appeared to differ on the basic philosophy of milk price regulation, there were nevertheless a number of submissions which the Minister accepted in principle. We trust that after further consideration, the Minister is prepared to recommend appropriate amendments to this committee or to the House. For your assistance, we will set forth these points in detail, the first one being the authority of the Milk Commission to conduct independent research and investigation.

Bill 86 removes the old Section 5(1)(a) of the Milk Control Act, which allowed the board to "investigate and study systems of distribution of milk". The section was used by the present Milk Control Board to begin a study of new ways to deliver lower cost milk to certain target groups. The study was announced in June of 1980, but on my reading of the legislation at least, it will not be able to continue because of the absence of any authority under the new Act. The only comparable provision in Bill 86, which is Section 3(1)(d), permits an investigation by the commission "as may be required by the Minister".

We therefore recommend that the existing Section 5(1)(a) of the Milk Control Act be inserted in its entirety as an additional subsection in the bill. I've set out afterwards the text of the section which we

suggest, and I take it the Minister has already agreed ought to be put into Bill 86. If my interpretation is wrong, if the board is able to do these studies, there is obviously nothing to be lost by putting it in for clarification. But my understanding of the law is that the Milk Commission is a creature of statute; it has only those powers that are given to it specifically, it can't embark on all kinds of activities that it is not mandated to do under some piece of legislation, somewhere. This legislation only says that the Minister can direct. There are obviously going to be times when the commission, based on its activities, will want to do its own research, and that should be permitted. Specifically, it should be permitted now so that the study which was begun can be completed.

Second point, Mr. Chairman: The consumer appeal against the cost of production formula — there were some questions about this. During our meeting with the Minister, we expressed dismay that the producer cost of production formula set under Section 3(2) of the bill could be appealed by producers, but not by consumers. The result of this unfair and unbalanced system would be appeals which would be intended to have the effect of raising the price but never appeals which would be intended to reduce it. Depending on the formula, and there's obviously a lot of apprehension on all sides about what this formula is going to be, and its application, producers may or may not be able to earn sufficient returns. And we've stated our position, so have they, that they should be entitled to do so. Whatever the merits of a particular formula, or a particular price, however, our point is that rights of appeal should be the same for the industry or for consumers. That seems to us like a reasonable statement.

We were advised by the Minister in discussion, that under Section 3(7), a consumer could apply to review the price of milk, thereby opening up both the producer and processor portions of the price. If that is the intent, then the bill should be amended for clarification. The bill allows an appeal against the price set under Section 3(5), or a request to establish one of those prices, in other words, the retail price. That section in the Act relates to the prices of fluid milk charged by distributors and retailers. From their point of view, if they were facing an appeal under this Act, the producer price is fixed, and on my reading the appeal would only cover their additional costs and profits in their particular situation. It would not allow the producer price or the formula to be opened up on that appeal.

Just to try to make that clear to the committee, if you'll look at Section 3(6), which talks about what the Milk Commission will do when it does review the retail price, you'll see that subsection (a) says that one of the things that shall be taken into account is the cost of milk to the distributor or processor as determined by the formula established under 3(2). So my reading of that is, that on an appeal which a consumer or someone might take against the retail price, that the thing to be looked at would not be formula and its practicality or its equity or whatever, but rather what is the price set under the formula. And what are the additional costs after that. That's what the section says.

The Minister told us that it was by no means the intent to cut off a consumer appeal, that it was fair to have a consumer appeal as well as a producer

appeal, and as a result we've suggested an amendment which is here for your use if you choose to adopt it.

There's an additional point. Because the producer formula will be set once and only infrequently amended, if at all, the 30-day time limit for appeals, we submit, ought to be variable. This is a point which wasn't picked up by the producers, but I would think that if I was here on behalf of the producers, I would make the exactly the same point. Once the thing is set and 30 days go by, I don't see where there's jurisdiction to appeal it, even if the producers feel that it is unfair and ought to be looked at on appeal.

Following experience with the new formula, as I say, producers or consumers or both, in fact, might wish to appeal, and obviously more than 30 days' experience is needed.

Now this point we didn't discuss with the Minister, but again, we don't see that this point could be contentious. We recommend a new Section 4(1) as set out here, I see that the legislative draftsman is also present and he may wish to have his comments on my amateur approaches to drafting. But the intent of my suggested amendment is, first of all, to add any person to the list of parties that can appeal, that is a producer or a board or any person. And secondly, to allow for the council, that's the Manitoba Council, to entertain appeals basically at any time, as long as some good reason is given to them, leaving it in their discretion to decide. So 30 days would be the appeal period, but upon application they could vary that and allow an appeal to be taken any time.

I might say that this is a standard type of clause, I think, in legislation, even in legislation where parties are supposed to be aware of their rights, where there's litigation. This is not that kind of a situation. This is a situation where there's going to be a cost of production formula set, and from my reading at least, 30 days later, any producer in this province who wants to complain about it will have to go the political route, not the legal route which has been set out for him, because there's no jurisdiction. In fact, you might find that if a producer filed an appeal and the Manitoba Council said, well, this is unreasonable, we've got to hear it, then any change in the price would be liable to be quaffed in the court because there was no jurisdiction to hear the appeal, and therefore no jurisdiction to increase the price. So from the point of view of a producer or a consumer, I would submit, you've got to open up the 30 days. That's only reasonable.

Our next point, under the heading of what we take to be matters under agreement already or not contentious, is the disclosure of industry-wide costs and profits. And I would put the emphasis here on industry-wide. There's a major bone of contention of the particular financial statements of individual businesses, and we deal with that later, but on the industry-wide information, that is to say the entire processing sector or the entire retailing sector. We understand the Minister to be in agreement with our position.

Under Bill 86, the public is unable to gain access to industry-wide information on costs and profits unless two levels of appeal are pursued. This is because Section 4(4) on disclosure applies only to a person who is making a presentation on appeal to

the Manitoba Council. We suggested to the Minister that this information, currently being distributed on an annual basis by the Milk Control Board, should be available to the public at any time, and not only upon the launching of an appeal. Indeed, one of the reasons for launching an appeal in the first place might be that the overall level of industry profits appears to be getting out of hand.

Alternatively, of course, I would submit that if you give the disclosure and let the public know what profits are like, then you're going to discourage appeals, which might be taken simply for the purpose of getting the information. You have to file an appeal under the present system, and then make your representation and say, okay, I'm an appellant, now can I have the information? Thereby putting everybody into the appeal system, and providing the information to the party who might then say, oh, well, profits don't appear to be out of hand, I don't want to appeal. All you've done is encourage him to appeal to the cost and expense of everyone. So, we're suggesting what's basically publicly available now, should be available at any time, under Bill 86.

The Minister indicated that he had no objection to that and as a result we've got for your consideration a drafted amendment on costs and profits and you'll see that this allows anyone to request the Milk Commission for information and requires, makes it mandatory for the Commission to provide the information, albeit in a form that doesn't identify any individual person, or company. That's available now and we're saying that it should be changed, so that as in our amendment, it's available any time, upon request.

Now the next point that flows from that is when and whether the costs and profits of individual companies should be available. And this is a matter which we took up with the Minister and which he said he would take under advisement and I trust will report to your committee some time during your deliberations.

Health Action has always taken the position that this corporate secrecy clause, which is essentially what it is, is contrary to the public interest. During the 1978 and 1979 Milk Control Board hearings, we moved for full disclosure of the processor financial statements. And I should add here that the question of producer statements, doesn't come up, for the reason which has been mentioned by a number of previous speakers. The situation is different for every producer in the province. There's no such thing as, or there wouldn't be any point in examining a particular producer on his situation, obviously, and we never suggested a particular producer should ever be hauled up and cross-examined or put under subpoena to answer questions. What we did say, when we argued this, and also in court, was that the producer marketing board, which appears and makes a presentation on behalf of all producers, should be subject to some scrutiny. But in any case, as far as financial statements were concerned, it was basically the processors that we were concerned with.

When we were refused that before the Milk Control Board, we took proceedings in the Court of Queen's Bench. The resulting judgment by Mr. Justice Scott Wright stated that the costs and profits of individual companies were "basic information", those were his

words, which consumers would require for participation in the hearing, the basic information language came from a number of cases which said, when you give someone a hearing you have to give them a hearing that makes sense, that works, and you can't ask them to come in make a submission, in the dark if you like, without giving them any information about the decision that's being made. That was from other regulatory jurisdictions. Mr. Justice Wright said that in this case, however, the Statute specifically prohibited the release of the information that we were seeking and as a result our motion was dismissed.

Now we understand the rationale for prohibiting disclosure of individual financial statements. We understand the rationale, we don't necessarily agree with it but we certainly can see that there is an argument to be made. But we argued in our meeting with the Minister that disclosure of this type of information would not cause harmful effects to the company concerned in each and every case. In particular, we pointed out that appeals might be taken under this bill with respect to particular localities or even a particular business, such as in a remote area. This might arise especially where a retailer or processor had a monopoly in a particular area. In such cases, it would be essential for the appellant to have disclosure of costs and profits, and at the same time there might be no significant harm caused to the company by virtue of that kind of disclosure. We suggested to the Minister that the prohibition on disclosure should not be automatic. Rather, the Milk Commission should have a discretion to grant the disclosure after full consideration of the pros and cons. This would allow for the protection of business interests where the protection is actually needed, but would not prevent disclosure where there would be no harm caused by disclosure. We suggested that this was a reasonable compromise on this rather thorny point, which neither industry nor consumers could seriously quarrel with.

Confidentiality is an issue which arises frequently before economic regulatory tribunals. We're saying that a blanket prohibition on disclosure is simply not a reasonable policy. The following excerpt from a decision of the Canadian Transport Commission illustrates the way in which we suggest that the Milk Commission should be encouraged and allowed to function, because it's not allowed to go through this process at the present time, and it wouldn't be under Bill 86. This excerpt, I might say, dealing with Section 23 of the National Transportation Act concerns an appeal taken by an interested party where there's an apprehension that rates set by a railway are contrary to the public interest, and the particular quote comes, from what I believe is a famous case. I think it's otherwise known as the Rape Seed Case. I could be wrong. But it is the Saskatchewan Wheat Pool, 1973 decision and the CTC said:

"Where information is relevant to a case under Section 23 and is essential for its determination by the Commission, but its disclosure at a public hearing may clearly cause actual and substantial damage to the party giving it, then the information, we think, must be given to the Commission in confidence.

"What (the witness) will have to demonstrate to our satisfaction is that it will cause him actual and substantial harm if he is required to disclose it."

And in this case, I believe, it was a Minister of the Manitoba government, who had made a statement concerning the effect of the rates which were under complaint, upon business in Manitoba, and he specifically made a comment about how many businesses, I think, had to close down or leave. It was immediately challenged and he said, well, I can't tell you that because that would be confidential information. This wrangle then came up over whether he would be required to disclose, as a witness.

"The party asking the question will then be obliged to satisfy the Commission that the information he seeks is relevant to the issue, and essential to the determination of the application or the particular issue within the application.

"The Commission will then call for the information in question, and make its decision as to whether it should be disclosed or not."

And just jumping to the bottom of the very end of the quote.

"It seems to us that we can't deal with this question of confidentiality in that kind of a vacuum, unless we look at the question of relevance and essentiality."

So that's the way the CTC has dealt with it and we're suggesting that makes sense. Give the Milk Commission the power to look at whether there is actual and substantial harm; whether it's relevant; whether they really need to have it disclosed; whether the appellant really has to have the information to make its case. And if the appellant can satisfy his onus and if the company can't show that there would be some damage, then where is the public policy in favour of keeping that kind of information private?

That's, we suggest, a reasonable, non-partisan, sensible proposal, instead of a blanket prohibition, which I suggest is basically based on a kind of a dogmatic approach which says, companies shouldn't have to open their books. And that obviously isn't sensible in this situation. It's not accepted really anywhere in regulatory practise. Companies do have to open their books, the question is under what circumstances and we have a blanket prohibition which doesn't really make sense.

So we suggest on Page 9 of the brief, particular language which might deal with the problem in the way that we're suggesting and basically the amended version would be, that the request could be made when there was an appeal and the Commission, in its discretion, may provide any such information in its possession, in such form as it deems fit, having regard to the interests of the all the parties. That doesn't say it has to disclose; it doesn't say it cannot disclose. It says, you can argue your case, that the company can argue harm, the appellant can argue its need and then a decision would be made by the tribunal itself and it would be a reasoned decision and hopefully it would be acceptable to all parties.

So we put that forward for your consideration and trust that there's really no rational objection that can be made to that kind of a compromise.

Next point concerns — jumping back, I guess, in the sequence, concerns the first level appeal, what the Milk Commission does upon receipt of a complaint.

During our meeting with the Minister, we took exception to the excessively secret and restrictive nature of the Milk Commission's inquiries. It is true that eventually, by pursuing a second appeal, a hearing can be obtained. However, it would seem sensible that when a formal complaint has been received about milk prices, the public should be informed so that other consumers could provide information and input to the Commission during its investigation. And I notice the Consumers' Association said exactly the same thing to you, earlier today.

By opening up the procedure at the first level of appeal, more information would be available, and we would say that would improve the quality of decisions by the Commission. Moreover, greater openness at the first level might discourage more formal appeals to the Manitoba Council, which can be expected to be lengthier and more costly to all concerned. For example, you've provided a right to Council, presumably there might be expert witnesses and so on and that would obviously be a more costly venture than the Milk Commission's inquiry. As a result, we suggest the following amendment to Section 3(8) and that basically adds the piece which is underlined at the bottom and says:

The Commission can do its inquiry and hopefully will do its inquiry if it receives a complaint, but then in the course of an inquiry it shall hold a public meeting, of which reasonable notice has been given in the press, or otherwise as the Commission may deem fit, at which any person may appear and be heard.

Again I would point out that this is basically similar language to what's in the Act at present and I would point out to you that we learned from the Court of Queen's Bench, in our case, that this is not a judicial hearing, it's not a full-blown trial, or anything of that sort. At least Mr. Justice Wright said that it was simply an administrative hearing. However, a person did have a right to appear and be heard and that's what we're suggesting should be grafted on to the inquiry section governing the Milk Commission.

Failing persuading you of that, Mr. Chairman, and members, there's another draft which you might be inclined to look at. If you take the view that there shouldn't be a full hearing by the Milk Commission but rather there should be some sort of written submissions entertained, so that there is some input, then there's a section in the middle of Page 10, which required notice to be given and written submissions, if any, to be entertained but not a hearing.

So, we would submit that something further is required and we offer these to you for your assistance as amendments.

We note further that Section 3(9) of the bill doesn't require the Commission to give any reasons when rendering an Order on retail milk prices. The Commission is not required to explain what kind of investigation it might have made. Whatever investigation and decision the Commission might undertake, it should be accountable to the public.

Without such information, a consumer who complained about prices could have no way of judging whether or not it was worthwhile to pursue the appeal. And as a result of that criticism we suggest the amendment on Page 11, which basically says, whenever it makes an Order the Commission should give reasons. And it's hard to see what the dispute could be with that.

The final areas in the brief, Mr. Chairman, concern matters that remain, I imagine, contentious. The first one being the definition of an unreasonable price which, if you like, is really the issue of monitoring under this bill. What is monitoring all about and when does intervention take place? This bill deregulates the retail price of milk until such time as the Commission decides to take action under Section 3. We have already expressed our opposition to the removal of full price control. But given the scheme which is set forth in this bill, we would strongly suggest several changes and hope that there wasn't really opposition on either side of the table because we think these are consistent with the intent of the bill.

The Milk Commission is given authority to intervene in the marketplace when prices become unreasonable. But the power is discretionary. Once the Commission reaches the conclusion that prices are unreasonable, the Act says that "it may — emphasis on the word may — by order establish schedules of prices".

We say there is no reason for leaving this as a discretionary power. If, in its own considered opinion, the Commission says that milk prices are unreasonable, then surely price control should be mandatory. That's been the whole rationale and the whole justification for the bill, as stated by the government. The word "may" in Section 3(5) should therefore be changed to "shall". I would point out that this leaves the monitoring and the assessment function clearly within the discretion of the Milk Commission. That is to say, deciding whether the price is unreasonable or not would be something only the Milk Commission could do, no one could tell them how they should do that. But having decided that they couldn't say, but we don't think it's a good idea to intervene now, if the prices were unreasonable they would have to do so and that, I think, from what I've heard thus far, has been the stated policy of the Act, that is, price control when prices get out of hand.

Now the next question would be, what's an unreasonable price? It's something I think should be considered by the committee in passing this bill, if it's to be passed. This section of concern, gives the Milk Commission no guidance in coming to a determination on what's an unreasonable price. It might be argued, on the one hand, that the criteria in 3(6), which are basically straight cost of production, are intended to be the guideline on the retail price and if this is supposed to be the intent, then it should be explicitly articulated. But there is another interpretation I would say, which is equally consistent with the overall scheme of the Act, and I would describe that as the prices are outrageous interpretation. Prices float freely until they get out-of-hand, or become outrageous, at which point the Milk Commission is supposed to intervene because they're unreasonable. On this interpretation, an

unreasonable price is not simply a price which exceeds cost of production but it's a price which is unduly excessive, not just somewhat excessive. On this interpretation, the Milk Commission basically is here to deal with abuses, the worst cases, but not to guarantee the milk prices are set at the cost of production.

In this discussion, of course, we're agreeing and accepting that a reasonable return for all sectors of the industry and here we're talking about processors and retailers, would be part of the cost of production.

So we're saying that the ambiguous wording of this section if obscuring what the true purpose of the government's policy on milk prices is. We say, and we take it that it's basically what the Minister's been saying, that when prices are getting beyond the cost of production — that is beyond the price that the market is supposed to set — that price control should come into effect.

I would like to caution, especially for the government side, that what we're saying here as a proposed amendment would not be a return to the status quo. It's not a suggestion that we sneak in the Milk Control Board, under the guise of a slick amendment. With what we're saying, prices at the retail level would be deregulated, as is proposed here, but, the milk industry would have an opportunity to show, as is claimed on their behalf, that competition can work. The onus would be on the various sectors of the industry to show that they do indeed operate at the cost of production, as the theory of the market claims. However, if this should not occur, and that's everyone's apprehension, the Milk Commission, under our amendment, would be required by law to intervene. Under our proposal, the Commission would not step into the market just when it was necessary to avert a crisis or to deal with the terrible abuses, but rather it would take action once it was clear that prices were exceeding the cost of production, thereby violating the market law, if you like, and constituting a violation of the consumer interests as well.

So, there's a detailed amendment presented on Page 13, and basically what it says, as the underlined portion shows, is that when the Commission is monitoring, when the Commission is hearing a complaint that prices are unreasonable, it shall decide the meaning of unreasonable by applying the criteria set forth in subsection (6), and that is cost of production.

We also add in there that the word "shall" which I've argued to you must be in there if the intent of the bill is going to met, otherwise the thing could be a complete sham.

And I would also point out, since your draftsman, Mr. Tallin, is here, that at least to me, it appears that the word "or" should be in there instead of the word "and". The intention is that there can be schedules of maximum prices or minimum prices or both. And that's just a drafting correction.

Last point deals with the appeals to the Manitoba Council and the workability of that process. Bill 86 requires that the Manitoba Council hearing of an appeal must be held within 15 days. And I notice there was a question about that earlier today. I know that there's a concern. It's been expressed many times before the committee, about how long the Milk

Control Board took to make its decisions. And I know that our group was blamed for some of that. I can understand the concern from the point of view of the industry, delay is a reasonable concern. But under Bill 86 I would point out that prices will stay in effect until such time as they may be overturned on appeal. That is to say, it is the exact opposite to the present situation where it's in the consumers interest to stall and the producer or the processor may suffer if the delay is lengthy.

But under the present scheme, given the present system of appeal, there's no basis for building in these strict, and I would say unreasonable time limits on appeals. Fifteen days is obviously inadequate for anyone to properly prepare for a hearing before the Manitoba Council. And I would point out that it might constitute a hardship upon the council itself, because the council might feel that it wanted more time to prepare to peruse preliminary material and my reading of this is that the council has no option, it has to go ahead within 15 days. It might be Xmas time, people might be on holidays, there's all kinds of things you can foresee and I would suggest that the 15 days is mainly to an administrative nightmare.

Reading Section 4(3) and 4(6) together, it appears that the Council must sit and complete the hearing on the appeal without recourse to any adjournments, and then render a decision within five days of the hearing. Again, if this is the effect, it's unreasonable because even by consent of all the parties there, there appears to be no authority to take more time to consider the appeal. So I think your committee should look at the administrative problems that might be caused. And I suggest that the time limits could simply be scrapped and you could rely on the parties to pressure the Council, if necessary, to get the appeals done. But certainly from the point of view of the industry there's no fear any longer, under this system, of a delay which keeps the price to them down.

Finally, there is no provision at the council level, as there is none at the commission level for notice to the public and we object to that. The parties have a right to be present and to make representations, but we would say that there is some value in accepting public input, whatever may be offered. And that's particularly important if you do not open up the first level appeal before the commission. Surely at some point the public has to be notified that these things are going on. And again, we would recommend the publication of a notice of the hearing or such other notice as the council might decide was appropriate.

That basically is our submission. I would suggest to you that aside from the serious, philosophical wrangle which has been going on over the deregulation, there are a number of other matters which are either drafting matters or uncontentious matters, which deserve attention and I would submit that this bill ought not to rush through, without some attention to those questions. If you're going to go with Bill 86 and I would say this to both sides of the table. If it's going to go through, then surely some consideration should be made to making it more workable, because we may have to live with it for some time. I would suggest that some of the things that we've put forward are to the benefit of producers and some are to the benefit of consumers and that all should be given some consideration.

Thank you.

MR. CHAIRMAN: Thank you, Mr. Peltz. Mr. Blake.

MR. BLAKE: Thank you, Mr. Chairman, I just had one or two questions for Miss Land that I didn't get on before the other submission. So I'll just be brief.

Miss Land, your organization is a volunteer organization is it?

MISS LAND: That's right.

MR. BLAKE: What funding do you have? You must be funded in some way.

MISS LAND: The organization that is specifically responding here, is a sub-committee of the Board of Health Action Centre. Health Action Centre is a community health centre funded by the Manitoba Health Services Commission. The work that we put into this committee and into the whole issue of milk is done entirely by the board and therefore entirely on a voluntary basis.

MR. BLAKE: What I was concerned with is we've had some idea in the Legislature lately on what legal fees amount to, and I was just wondering, Mr. Peltz isn't working on a voluntary basis, I don't imagine. Is his fee funded through Legal Aid.

MISS LAND: That's right. Because we are a non-profit organization we are able to appeal to the Legal Aid Board for legal aid assistance. And on that basis we have been granted the services of Mr. Peltz. I might also add that he has put hours and hours of his own time into this, beyond that which is required by his job as a Legal Aid lawyer.

MR. BLAKE: Well bully for Mr. Peltz. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Hanuschuk.

MR. BEN HANUSCHAK: Mr. Chairman, I wish to direct my question to either Mr. Peltz or Miss Land, I suppose Miss Land should be the one to whom I should direct it. I note, from reading both briefs, the one presented by you and the one by Mr. Peltz, that there was no comment or reference with respect to the sale of milk as a loss leader, or selling it in combination with another product, to promote the sale of another product, in many instances, junk foods. Because, you know, after all, that was one of the factors which, practically a half century ago, led to the declaration of milk as a public utility and hence they established the Milk Control Board and so forth, when milk was sold in conjunction with puffed wheat and wheaties, or whatever was on the market at that time. Cold tar products, milk shake flavours and so forth.

As a matter of fact, Mr. Chairman, I would just like to point out to Miss Land that in some provinces there is a prohibition contained within legislation against the sale of milk in that fashion, as a loss leader, or as a combination sale item to promote the sale of another product.

Has your organization any comment on the sale of milk in that fashion? You know, the giving away of a

half litre of milk with a pound of coffee, or with 2.00 worth of milk shake flavours, or whatever?

MISS LAND: We haven't discussed this issue specifically. I have some thoughts on it, off the top of my head and I would like Mr. Peltz to add to them if he wishes. It seems to me that using milk as a loss leader would be of benefit to both the producer and the consumer, in that it would increase consumption of milk. I think one of the suggestions that has been made with the deregulation of retail and processor prices is that milk could thus be sold in such a manner and that would be of benefit to the consumer. I think that the fact that we have not had a minimum price for several years, and yet neither the processor nor the retailer has attempted to use milk in such a way, suggests that's not likely to happen. If it does, it will happen in the context of prices that have already been raised.

MR. HANUSCHAK: Fair enough. Thank you.

MR. CHAIRMAN: Mr. Einarson.

MR. EINARSON: Mr. Chairman, I have one question to Mr. Peltz. I would like to ask Mr. Peltz if he knows whether there is any other commodity produced in the agricultural industry, other than the dairy producers, whereby they are compelled to open their books to show whether they are making a profit or a loss.

MR. PELTZ: Oh, I can't answer. I don't know about other regulatory schemes.

MR. EINARSON: That's all I have, Mr. Chairman.

MR. CHAIRMAN: Are there no further questions? Mr. Adam.

MR. ADAM: Just the one question to Miss Land. To follow up on the question by my colleague from Burrows, Mr. Hanuschak, in which he was trying to elicit information if there would be an advantage for consumers to buy milk, where milk would be used as a loss leader. Would you not say, in order to obtain a quart of milk, at a reduced price, whatever that reduction is, in order to obtain that advantage to get cheap milk, that you'd have to buy four bottles of Coke or something at the regular price, you know, or whatever it is that you use. (Interjection)— Well, Coke is, in my opinion, junk food. But a shopping centre may want to dispose of surplus stock that they have and in order to do that they might try to entice the public to buy things that they really don't need, in order to get a reduction on the price of milk. Would that not compound the problem, rather than paying a reasonable price for the milk?

MR. CHAIRMAN: Miss Land. I would point out, Miss Land, and to all delegates, that you are obligated to answer no questions, or any questions, or all of them, if you so wish.

MISS LAND: I understand that, and I would like to qualify my answer again by saying that I don't feel particularly well informed to answer. However, I have a comment. To begin with, my understanding of loss leaders is that they are not necessarily directly tied

to buying another product; is that correct? What is hoped by the retailer in using a loss leader, is that the consumer will come into the store and buy other things and that he will get his profit back by increased volume of business.

I think that in the context of an uninformed consumer population, and I don't pretend to presume that Manitoba's consumer population is either very well informed or very uninformed, that that could be a disadvantage to the consumer. However, an informed consumer could obviously make very good use of such sales items.

MR. CHAIRMAN: Mr. Orchard.

MR. ORCHARD: Mr. Peltz, I might have missed your comments about the pricing formula as proposed in Section 3(2) to establish the cost of production. Did you have a comment on that?

MR. PELTZ: Our comment was that Bill 86 allows a producer or a producer board to appeal against the formula set under 3(2), which you just referred to, and that it doesn't allow a consumer to do the same thing, and that that's unfair. And I also made a comment about the time limits, but I presume that's just an oversight and should be corrected, because that would prevent even a producer from appealing after 30 days.

MR. ORCHARD: Mr. Peltz, Miss Land earlier on indicated that if the cost of production formula was determined to be fair and equitable, then the consumer group would have no objection to its use. Would that be a statement that you would agree with?

MR. PELTZ: Our understanding, from participating at the Milk Board, is that whatever you want to call it, there is a type of a formula which is being used by the Milk Board, and submissions by the producers' board were made in terms of that formula, that at every hearing there was argument from the producers about the formula itself, factors of the formula, as well as the figures to be plugged into it, and that basically that is what has been going on now, although of course it is not automatic. Now the onus is on the industry to approach the board.

So as far as the formula goes, our perception is that that's basically what goes on now. As to whether it should be automatic, we stated our position. We thought that the full price control powers of the Milk Board should stay and that would mean a hearing, but we concede that there is a legitimate concern to have a reasonably quick adjustment in prices and the formula, as proposed here, is one way to do that.

If the consumer had a proper avenue of appeal so that they could be satisfied that the formula was fair, then I don't think there would be any big complaint, but of course, this bill does not allow the appeal and so I don't see how you can ask a consumer to accept the bill as drafted when, really, there is no input.

At the risk of belaboring a point, as the producers pointed out to you earlier today, the bill simply says a formula shall be struck. It doesn't say upon consultation; it doesn't say upon a hearing, nothing. A formula is struck. And if a producer is dissatisfied

with that formula, they have only got one option, and that's appeal, so likewise a consumer should have an appeal.

MR. ORCHARD: So that if you were to appeal, as a consumer group or as a Legal Aid lawyer representing a consumer group, if you were to appeal the cost of production formula, what expertise would you use to critique the cost of production formula?

MR. PELTZ: If you like, afterwards I will show you briefs which were prepared in 1978 on both the processor and the producer side, and a brief which was prepared and presented to the Milk Control Board at a recent hearing when consideration was being given to changing the formula then in use by the board, along the lines suggested by the Manitoba Council in a report which I think was signed by Professor Art Wood.

We went to people that we thought were experts, and I don't think that there was any question that they were experts. They volunteered their time and their expertise, and the submissions which were made were acknowledged to be sound. They may not have been completely adopted, but they were acknowledged, in fact, in the Milk Board's order in January of 1980 as being extremely useful and technically sound.

So in other words, I would look for expert witnesses, as I would in any case, people who are qualified.

MR. ORCHARD: There would then, I take it, be a set of circumstances under which a cost of production formula could be struck that you, representing the consumer aspect of the whole milk equation, would be satisfied with.

MR. PELTZ: Sure, once the order was made by the commission, I imagine that producers would look at it; they would have to deal with it daily. Consumers could look at it also, and if everyone was satisfied with the formula, then there would be no appeals.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Mr. Peltz, I presume what you are suggesting is that if you had the right of appeal on the question of the cost of production formula for producer price setting, that you would only be appealing on the basis of factual information re cost of production and not appealing on the basis of someone's needs for cheaper milk. Is that correct?

MR. PELTZ: Well, I can't say that I would appeal -- I might have a client or anyone else. I can't say what the motivations of anyone would be in appealing. But, no question, when they got to the appeal stage and were asked what was their appeal about, they would have to say, well, it's about the cost of production formula because of X, Y, and Z, and also there is a hardship and the price is too high. That doesn't really come into the appeal, if you read the section.

MR. USKIW: The point I am making is that if the appeal body restricted your appeal to the relevant

factors relating to cost of production, and you were confined to that kind of presentation, that you would not object to that. You would not want to argue the point of the need for milk supplies, the need of those that can't afford milk, you would be prepared to address yourself, if you were making the presentation, to the question of actual costs as found out by the appeal body as you have yourself discovered, and the information that is tabled before you at the appeal?

MR. PELTZ: That's right.

MR. USKIW: Okay, that's fine.

MR. CHAIRMAN: Being no further questions, thank you, Miss Land and Mr. Peltz, for your presentations and for answering the questions of the committee.

The next name I have on the list is Emil Shellborn. Is he present? (No response.) John Hueging.

Mr. Hueging, do you have a brief to be distributed to the committee?

MR. JOHN HUEGING: Yes, I do.

MR. CHAIRMAN: While the brief is being distributed, you may proceed with delivering your remarks. Mr. Hueging, please.

MR. HUEGING: I was notified this morning at 10:00 o'clock that there would be a hearing today, so the brief I have got is not fully organized and might be a bit dislocated here and there. What it basically is, I've got a financial statement to show that we have to have something done in a hurry.

This afternoon, several people were talking about young dairy farmers who were having a tough time making a go in the business. I myself started August 1, 1978. I was born and raised on a dairy farm, two years diploma, so I figure, with my dad's help, I am about an average dairy farmer with experience, knowledge and other background.

The way we work with my dad is, I rent the farm from him, approximately 5 percent of the face value of the farm is what I pay for rent, and buy all the feed off him. Over the first year, the 11 months, I lost a total of 42.00. Though the feed costs, 1977 feed costs with 1978 values, 5 percent of the total investment that my dad has, rent, which if I would have had to buy it, I would have to pay 15 percent interest to the bank, so I'm getting a 10 percent discount on rent, and with all that, there was still a gap, with me not making quite enough as I wanted to.

I took out approximately 10,000 for wages, 10,650, that's in 11 months. That is me working roughly nine to ten hours a day, six days a week, five hours on Sunday, my wife helping out approximately four hours a day. That came to 4,570 hours, or in other words, 2.03 an hour. Now, for that 2.03, I have to manage, maintain and keep functioning a close to 400,000 farm. Anybody in the city who had a function to maintain that would never be satisfied for anything under maybe 30,000 to 35,000 for that. Yet I am happy to go with that kind of wages for five to ten years if I can establish a viable dairy farm. But with the present situation, I am paying my dad a total of 60,000 a year for rent and for feed.

If I would go to the bank and say, okay, I want to buy the farm from my dad and borrow the money from the bank and pay about 15 percent interest, or in other words, if I had to buy it from my dad, and I wouldn't have to pay full price, I could maybe get it for 300,000.00. At 15 percent, that's 45,000 a year interest. Then I would have to put up my own feed, close to 3,000 a year for gas, maintain my own machinery, another 4,000 or 5,000.00. It leaves me about 7,000 to 8,000 a year to make principal payments. In a normal year, if I don't buy any new equipment and don't upgrade the system, I can do it. But I would eventually have to upgrade or have to buy a tractor or have to do something and I can't make the principal. Or a year like this, drought, I don't have the feed, whether I can make it or not, and I have to buy it, I can't make the principal.

So I'm just a borderline case and, to me, it doesn't really matter which way it goes. It's like a person standing at the bottom of the cliff and he has to reach the top, he can go up the right side, he can go up the left side, he can go up the middle. I hired a guy to find the way up. I voted people in to find the way up for me. Now, we are having discussions here, and what I am interested in is finding a solution so we get it over quickly and as fast as possible.

If I wanted to go to the bank tomorrow and ask for 50,000 to buy some more cows, improve the dairy operation, get some new equipment, they are going to ask me can I make the payments. I would say I can make the payments now but I don't know about next week or next month. They would say why not? I would say because we have a system now of pricing but I don't know how much money I will be making in three or four months' time.

I can make application now, in three or four months we get a hearing, three or four months after that, we might get an increase, if we are lucky; if not, we don't. Meanwhile, seven or eight months are gone. We make another increase and we get it printed, you just got an increase three months ago and you are applying again, without the realization that we applied eight months prior to the increase.

So with a formula system, or some kind of system where I will know what I will be getting next year or the year after, I can go to the bank and say to the bank, look, this formula guarantees so and so profit per animal, or per litre. If I operate at an efficiency level that is average in Manitoba, or whatever efficiency level they want to pick, as long as the formula is reasonable. And I can go to the bank and I can say to the bank, can I have this money, present my financial statement, present them with a cash flow statement and a future outlook of what the farm will be like in four or five years down the road, which I am not possible and not able to do right now.

Mr. Ross was talking about a farm that started five or six years ago from nothing, milking 20 cows, I believe it was. I know the same thing, a guy I went to university with, he started with five cows and he is milking 20 right now. His wife works full-time in the city. He is at the point where he has got to borrow between 70,000 to 100,000 to build a new barn, buy more land and get completely into the dairy operation. He has either got to sit at 20 cows, marginal profit, marginal returns, or he has got to jump into it full-time. He can't jump into it full-time because the bank doesn't know if he can make it. He

doesn't know if he can make it, because he doesn't know what he's going to be getting next month. He knows he's going to have to pay 70.00 for a ton of feed but he doesn't know if he's going to get 36.00 or 40.00 for a hectolitre of milk and that's the basic problem right now. But every farmer I know of has to go to a bank or has to go to some financial institution to get money and no financial institution is going to give anybody money unless they can guarantee payment back to them. How are you going to guarantee payment back to him if you can't even guarantee yourself a profit or a wage?

Now, 2.03 an hour for me, I can live on that. I live at home; my wife has a garden; we take the milk out; we have a cow that doesn't milk, we killed the cow for ourselves, we can live on that. But if I were in the city I'd be considered below poverty level and I'd want to have the milk priced cheaper so I could buy it to drink for myself. Yet right now I'm below poverty level. So actually the Consumer Health Action Committee is fighting for me to get my groceries cheaper for me. But they don't realize that I'm already below there and they're trying to knock me down yet farther.

And from the financial statement, I haven't figured it too closely but I will need roughly a 10 percent increase in order to have a viable farm. That's 36.00 a hectolitre now, 10 percent, that's 3.60 so it makes it close to 40.00. Some farmers say 5 cents a litre which is a bit more, some say a bit less but my operation has to be roughly 10 percent. With 10 percent I can expand; I can put new equipment in the parlour so I can milk my cows per hour; I can use better A.I. bulls instead of buying bulls for 4.00, I can buy bulls for 8.00 which have got higher proof, which in two years time will have the calves giving me more milk, which allows me to improve my dairy operation. But in order to improve my dairy operation three or four years down the line I have to do it right now, to start right now because a calf is born and the calf does not milk for two years. If I weren't prepared to milk 100 cows in two years time, I have to start breeding for those extra cows now. I have to start building up gradually to be able to handle those cows in the barn. I have to be able to build up now to hire the necessary people, if I have to, to manage that. In order for me to make those long-term goals and those long-term commitments I have to be sure that in two years time, or three years time, there will still be a job available for me.

My dad, if he were to run the farm right now, he could do it efficiently. No major bills. He's been in the business now for close to 70 years. Almost everything is paid for. He can three or four bad years without making much profit; I can't. A year like this, if it wasn't for the operation of my dad where we buy the feed from him, he's not charging me an extra penny for the feed. If he did, I wouldn't be able to make it. If he sold the farm at 400,000 and put the money in the bank, he could make 40,000 a year. If you would charge me rent like that I couldn't make it.

So all I'm saying is, to argue back and forth for solutions, you were voted in to make a decision for us, that's your job here to decide what is the right way. I belong to the Producers Association; we have local meetings and we discuss things; they have general meetings. They are there to oversee that the

farmer gets proper representation in the decisions that you make. But basically they're your decisions.

Some of you come from rural constituencies, some come from urban constituencies, it is fairly well split down the middle in the province but yet for some reason this haggle has been going on now since '71, I think it was, when it first all started with the contracts coming out. It's got no closer; it's got no farther apart; it's just sitting there idle, nobody wants to take that big first step. I'm sure if somebody takes a step they could get their butt kicked and have to go all the way back down to the bottom but somebody has to take that step to start and that's what disappoints a lot of young farmers from getting into the dairy business. Somebody has to take it.

That's about all I have to say on this principle, just that I didn't lose much, 42.00, I can take that out of my pocket and give it to him, that's about it. But that's the financial statement that the Internal Revenue got. You know, that's not changed or anything; the accountant did the accounting for us and that's what the Internal Revenue got and that's a viable dairy farm that I took over. The only reason I didn't make a profit was because I had to pay rent. If I didn't have to pay rent, I would have had to buy it. My dad doesn't have to buy it; he doesn't have to pay rent; he could make money on it. I either have to buy it or rent it so I cannot make money on it and I would like to because I'd like to stay on the dairy farm.

MR. CHAIRMAN: Thank you, Mr. Hueging. Are your remarks completed? Will you submit to questions from members of the committee??

MR. HUEGING: Yes, I will.

MR. CHAIRMAN: Mr. Downey.

MR. DOWNEY: I just have a comment. I just want to thank John for putting the case of the young farmer before the public of Manitoba.

MR. CHAIRMAN: Mr. Orchard.

MR. ORCHARD: Well, Mr. Chairman, my comments are identical to the Minister's. If all of our consumers of milk in the province would consider that the future of the dairy industry is at stake and in the hands of people like yourself who are starting in the milk business we might not proceed quite so rapidly to what is often perceived as the cheap food policy in this country and we'd assure our future food supplies are produced in Manitoba by Manitobans. A good presentation. I wish all of Winnipeg could hear it.

MR. CHAIRMAN: Mr. Driedger.

MR. DRIEDGER: Mr. Chairman, I'd just like to ask the witness, have you had a chance to look at Bill 86?

MR. HUEGING: Not in detail but then anything more than 10 wheretos and what fors and ifs, I can't understand it. It's plain English but legal technology I leave to people who are trained in it. I can understand the basics of it. I know what they're trying to do but like with Mr. Peltz, he was or, and or

shall. Small words like that to me don't really count. I understand the basics of it but then the small words like that that's a technicality that has to be worked out with people who specialize in technicalities.

MR. DRIEDGER: Mr. Chairman, I'd just like to ask the witness, John is it? Do you agree with the basic principle of Bill 86?

MR. HUEGING: Yes. I agree with it. I have to know how much money I will be making next year or how much money I'll be making in two months down the road. Right now I have a faint idea but I have no basic idea.

MR. DRIEDGER: So you believe in the cost of production formula?

MR. HUEGING: Some type of cost of production formula that would allow me to have some kind of secure financial planning for the future.

MR. DRIEDGER: Thank you.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Yes, you just made the statement that you would prefer to have a cost of production formula that would make adjustments whenever costs changed, I presume? I don't believe that a cost of production formula, if it were adopted now, would be that substantially different, that would resolve your problem, basis the statement that you have presented here, at least I don't think so, that wouldn't be my perception. If it were, then it would be at variance with the request of a number of other dairymen who are presenting briefs to this committee and who would not be alleging such monumental requirements in order to bring their position up to where they think it ought to be. So it's somewhat puzzling to me, although I have no basis in which to argue with your statement, but I don't believe that it conforms essentially to the general position of the dairymen that are here and are presenting briefs.

I think in principle it does but in terms of comparability I don't think that the argument is being made quite as strongly as you have made it in terms of the size of the adjustment that you're looking for.

MR. HUEGING: I've heard 5 cents a litre kicked around a little bit. I'm not sure what the price is in the store but I gather the price is someplace in the middle 50s. So 5 cents a litre on 60 cents is not quite 10 percent. I say roughly 10 percent. There's not that much of a difference. I don't consider myself to be an expert dairy farmer or a poor dairy farmer. I consider myself to be average, and that's what I figure I need to be a viable dairy farmer. You take somebody like Mr. Holtmann or Mr. Schellenberg or Art Rampton, who I consider to be expert dairy farmers, they maybe don't need that increase. Some of them maybe don't even need an increase at all. If they've been in the business long enough and don't have any major new purchases, they could maybe survive. But a lot of us young guys who want to start up can't.

Like Mr. Holtmann said, he's 91 and it was mentioned the average age of a dairy farmer is 56, something like that, that's an old dairy farmer.

There's not very many occupations with an average age like that. Somebody has either got to buy out the farms or the farmers are going to quit. I am in a good situation. My dad had a farm. I can rent it from him cheap. If I rent it for 10 years maybe I can buy it from him cheap. But if I couldn't rent a farm cheap and I couldn't buy a farm cheap, I wouldn't be in the dairy business.

MR. USKIW: Yes, just one other question. I don't believe there's any argument that we could work and agree to a formula pricing mechanism for producer prices but I would like to ask you whether you have any objection to having a retail price established for the protection of consumers, that has nothing to do with the price that is set for you.

MR. HUEGING: Is that a definite retail price or a retail price guideline?

MR. USKIW: A maximum price. Whatever they want to do under that is up to them, but a maximum price.

MR. HUEGING: My impression of this bill was that we establish what the farmer is going to get.

MR. USKIW: Yes, that is correct.

MR. HUEGING: The processor and the retailer are responsible for what it costs them to process and retail the milk.

MR. USKIW: Right.

MR. HUEGING: Now I don't have any idea what it costs them to process it or what it costs them to retail it. I know what it costs me to produce it. So I can only say that I don't want my maximum price to be any lower than why my production is. Now if a processor wants to have a maximum price at only half of his production cost, that's his business. I cannot say a maximum cost because I have got no idea of what a maximum price should be.

MR. USKIW: No. My question relates to the fact, sir, that this bill, in large measure, removes protection from consumers in that, to date, we have a maximum price for consumer milk, or retail milk, established by the Milk Board. This bill may not do that although it could, the powers are there to do it, but it may not do that and the Minister indicated that it probably will not. I simply want to find out whether or not there's any reason why you wouldn't want to see a retail milk price set at a maximum level by this board, as has been the case since 1937.

MR. HUEGING: I would agree to a maximum milk price set by the board if the board would guarantee me a minimum of maybe 10 percent profit a year. If they guarantee me a minimum cost of production, I would maybe go for a maximum retail price. But if they want me to have them say, they can't sell the milk for more than such and such a price, I want to be able to collect a good profit out of that too.

MR. USKIW: Well, that's the whole point of my question. We are assuming that everyone agrees with the need for a formula price for farmers based on

their costs of production, we're not in dispute with that. I understand that is what is part of the intent of this legislation to give the Milk Commission authority to establish a formula price, okay, without having to go to hearings in advance and so on. There's not a great deal of debate about that but having done that for the producer, having satisfied the producer as to his costs and his price, you then agree that there is nothing wrong with maintaining some control in order to protect consumers at the retail level?

MR. HUEGING: that basically depends on what the maximum price is based on. If the maximum price fluctuates at the same percentage or somehow corresponds to the formula, maybe it will be okay, maybe it won't. If it's a rigid maximum price that they can't go above a certain price or adjusts only maybe every two years or something, then I'm completely against it. But if it somehow relates to the formula and it's a maximum price that can be agreed upon by everybody and gives everybody a fair return, it might work out okay.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: I just have the one question now because the witness expressed a great deal of concern on the price of land and he stressed the fact that he had a satisfactory or a good arrangement with his father. Do you believe that the cost of land is one of the major reasons why young people can't go into the dairy business? Is that one of the major reasons, having to obtain capital to buy land?

MR. HUEGING: I think that's part of the reason.

MR. ADAM: At the going price, whatever the price.

MR. HUEGING: A grain farmer has to buy land and a 20,000 tractor, a 25,000 combine, and 15,000 of grain equipment. A beef farmer has to buy the same equipment, plus maybe 25,000 worth of beef animals. A dairy farmer has to buy the same again, plus his dairy barn, his milking equipment, his year-around help. He's got to be there every day of the year. So he has got more costs than either the grain, the beef, or the hog. Our system right now, we have got a three-stall barn. I could convert to hogs without it costing me anything, just the price of hogs, I could convert. I could leave the barns empty and go grain farming, or I could use the barns for beef farming. But if I was a beef farmer and I didn't have the barns, I couldn't go into dairy farming, or if I was a grain farmer, I couldn't go into dairy farming, and there has never been a hog farm that I know of that has been converted to a dairy barn.

So it's the most costly farm operation I know of to get into.

MR. ADAM: I understood, in your comments, that the land was one of the major expenditures and that's why I asked the question. I thought that was the information that you wanted to leave with us and I believe you said that if you had to buy the land at 400,000, I think you said, "I just couldn't get into this."

MR. HUEGING: I have got broken down here the approximate value of my dad's operation. I had figured it out, conservative costs, 120 head at roughly 700.00 apiece, that's 84,000.00. To feed that many animals, I would need roughly 220 acres of land, or half a section, at 400.00 an acre, which in some places in Manitoba is 500, some places it is 600, and some places you can still pick it up for maybe 250.00. I took 400, which is 88,000.00. Machinery at 100,000, because I would need my combines and my tractors and my swathers. I would need a full line of grain equipment and a full line of hay equipment, not just one line. I would need my barns. Now, if I bought my dad's barns, the way they are standing right now, I could look at 25,000 each. One was built in 1970 and the other one was built in 1975; they are both fairly new.

The milking barn, I priced a new one; I was going to replace it this summer or this spring, I priced a new one and you know, it would have cost me 80,000.00. That would have been for one-third more capacity than I have right now. I am counting the old one at 30,000.00.

The out buildings, like the machine sheds, the granaries, the well house, at close to 30,000.00. So it is not just the land, it is everything. The land is approximately one-quarter of it, or one-fifth, between one-fifth and one-quarter of it, so it's not just the land cost, it's the whole outfit rolled into one that costs.

Now, if a person could go to the bank and say, if you give me this 300,000, and I can guarantee to pay you off 15,000 to 20,000 a year principal, the bank would probably give it to him. But if a person can only go to the bank and say, I can guarantee to pay off 15,000 this year but I don't know how much I'm going to be able to pay off next year, they're not going to give it to you, and that's the problem we have right now.

MR. CHAIRMAN: There appear to be no further questions. On behalf of the committee, Mr. Hueging, I would like to thank you for your presentation, both of your brief and for answering the questions and if a chairman of a committee can be permitted an opinion, you indicated that yours was a disjointed brief, I wish more briefs were presented to us in such a disjointed fashion. Thank you very much.

Mr. Rampton and Mr. Dooley. Mr. Rampton, do you have copies of your brief for the committee? They have been circulated?

MR. ART RAMPTON: I believe the brief has been circulated.

MR. CHAIRMAN: Thank you, Mr. Rampton. Would you proceed.

MR. RAMPTON: Gentlemen, firstly, I would like to thank you very much for giving our board this opportunity to present a brief. As Mr. Driedger just said, I have a hard act to follow and I imagine my brief will get a lot more disjointed than the last speaker's. Mr. Dooley, as our legal counsel, is with me to take up the technical points. I made sure he didn't have a brief, so that will be fairly short.

Gentlemen, the Manitoba Milk Producers' Marketing Board is appreciative of most parts of Bill

86. It must be understood one of our top priorities at all times is the volume of sales of milk. In no way are we wanting to do anything to harm consumers, that's who we are selling milk to. We are optimistic that taking controls off the retail price is beneficial to retailers, consumers and to producers. With no indication of a price published, no doubt retailers will be selling at various prices. In our opinion, and by what we see, when you put a maximum price on, that is where the price goes to and stays there, by practically everybody.

This will lead to milk being sold at a low price in many stores as a loss leader, enabling the consumer at many times to save money on milk. At the same time, the isolated areas are protected in that if the price does increase beyond reason, the consumer has two opportunities to appeal the price. First, by appealing to the commission, which has a majority of consumer representatives, and secondly, can appeal to the Manitoba Natural Products Marketing Council, which is made up entirely of consumers.

Let me explain that. We say, and particularly I say, you are either a consumer or you are a producer and you are not halfway in between, so we are saying on the commission that the majority is consumers. Mr. Downey, I believe, said in the House, I read it anyway, that the commission will be made up of representatives of consumers, representatives of producers, and from the general public. Well, the general public happen to be consumers; they are not producers. So you will end up with a commission that has a majority of consumers.

Likewise, with the Manitoba Marketing Council, you do not have a milk producer on that council. Under this system of pricing, we are of the opinion that the volume of sales in Manitoba will increase. I think you have to look around at what happens in experience. If you look at the other provinces where they do not have maximum prices, where some of them don't even have minimum prices, you will see how sales are going. In B.C., where they have a cost of production formula for the producer enshrined in legislation, wide open for competition on the consumer side, they have the highest per capita consumption in Canada, to the best of my knowledge.

Some can say, sure, that's where all the money is. Okay, your next province is Nova Scotia, and I don't believe that is where all the money is. They are the next and they have a minimum price out of the store and they don't have a maximum. When did you last see plants have a display, or go into real promotion of milk. I am talking about plants now. They have a nice comfortable little margin there which they can work within. I think, and we think, that if you get out into the competition, they will make a much greater effort of promotion and selling milk.

I do know that in the United States, because I was at a meeting of all Control Boards of North America, I guess it was, that the United States is deregulating more all the time. At one time, some of the states had regulations on all aspects of milk production and milk selling. They are really down now to where most states, you cannot sell under cost — I am talking of plants and the retailer — you cannot sell under cost, you are not allowed to do predatory pricing. That's mainly where the United States are at, not every place, but most places.

The Manitoba Milk Producers' Marketing Board appreciate the fact that Bill 86 allows the use of a cost of production formula, which will automatically adjust the price paid to the producer as costs change. This eradicates the lengthy time lag for adjustment that we have suffered over the past years.

In our board's opinion, there are some serious inconsistencies with respect to the roles the proposed Milk Prices Review Commission is to fulfill. On one hand, it is being asked to monitor prices of fluid milk charged by distributors and retailers to consumers, and to intervene when it deems the prices charged by such parties to be unreasonable. This role is something akin to a consumer watchdog. When the commission first intervenes and establishes a maximum price at which fluid milk to consumers, the commission's role as a consumer's advocate will be clear. If distributors and retailers appeal the commissioner's order to the Manitoba Natural Products Marketing Council, we see a hearing taking place with distributors and retailers on one side, and the commission, representing consumers on the other, defending its order. We see nothing wrong with this arrangement and feel it is consistent with the approach taken by the Milk Control Board in the past.

However, when it comes to the producer cost of production formula, we see the commission being asked to fulfill a much different role. Here, the commission is required to establish a cost of production formula, a butterfat differential formula, and to monitor the cost of production formula, fixing producers' prices as determined by the formula. We fail to see how the commission will be able to play its role as a consumer advocate and at the same time fix and monitor a cost of production formula which may result in the price of milk increasing for consumers, the very people that we expect will make up the commission and the very people that the commission will be representing.

We are extremely concerned regarding the establishment of the cost of production formula. We do not agree that the commission should have the authority to determine which cost of production formula should be in place. Beside the inconsistency I mentioned above, to do so leaves us in the same position as we are in at the present, due to the commission being a government-appointed body, this being no different from the present Milk Control Board or no different than the Wood Committee. Both of these government-appointed bodies clearly would not properly recognize the actual costs, resulting in considerable losses to milk producers. We cannot allow milk producers to continue to be in this inequitable position.

Mr. Chairman, I am going to take a little bit of your time. You know, I have been kind of accused of having a hangup or a personal conflict or out to get every government board or some such thing and I have been accused of being too suspicious. That is not really what I am doing, but I do think we are being very unfairly used or not properly used by these various boards. I am not trying to discredit boards, but point out why I am very concerned. I am certainly not trying to get into any character assassination.

So I am going to, because I think it needs to be, so you understand why I think we cannot go along with government boards, consumer boards, point out some of the things that have happened.

I am going to start, first of all, with our good friends, the Milk Control Board and I'm going to find out what the inconsistencies are or the unfairness of why we cannot allow a producer, a government appointed board that is really totally consumers, there's no producer on that board, why they cannot leave ourselves subject to whatever they want to do to us.

Now I'm looking at their synopsis of May 27, 1976. I'm not going to go into too much of it. It says on Page 3: "The Milk Control Board was of the opinion that the producers' representatives had made alterations to the previously accepted cost of production formula that were not currently justified. The formula, as adopted last year, does not indicate a need for a price increase".

Well, the first thing off, there never was any formula; there was never any formula that anybody agreed on. I'll read you their own minutes of November 25th of 1975 — I'm not going to read them all. "The meeting was called by the Manitoba Milk Producers Marketing Board in order for that board to make clear its objections to certain of the decisions announced by the Milk Control Board in its press release of August 25, 1975. The meeting also was to allow the two boards to agree on data sources to be used on the ongoing monitoring and cost of production of milk". So I drop down here and they're talking about the promotion fee and I wasn't on the board at this time, by the way, and it says: "After extended discussions Mr. Eadie", who was the Chairman at that time, "suggested that the meeting move on to other business but noted that the question of promotion as a legitimate cost of production remains a point of disagreement between the two boards". There's no agreement.

I'm certainly not going to read all these minutes to you. The next one they get to is on fees and I'll just read the last sentence: "Dr. Phillips suggested that with this information, it might be possible to construct a composite feed index combining the cost of production of home-grown feed grain and the cost of using purchased feed grain and the cost of dairy ration", and there was a survey taken on that and nothing was done on it.

The interest rate they talk about: "After a considerable discussion it was agreed that FCC and MACC interest rates were the proper rates to use in calculating the return of fixed capital. It was suggested, however, that rather than accrued averaging of these two figures, the waiting according to the share of credit from each of these two sources actually used by Manitoba Dairy Producers ought to be considered". Never did get any waiting. Still rough, half and half.

And I don't think I will bore you with the rest of these things. It gets into blend prices and target prices and all the rest, where there was no agreement. And yet something like the big lie, I guess, if you tell it often enough you get people to believe it. But there never was a formula and there never was any agreement on a formula and they could have changed that cost of production analysis any time they liked and any time we wished them to.

Now this one is May 19, 1977, and they are saying here that: "Secondly, for the past three years the production formula has contained no provision for an increase in productivity even though the formula includes premium prices for such items as breeding, which should produce an increase in output". I'll skip a bunch of it. It says: "The board has introduced an approximate 4 percent increase in productivity per cow and adjusted the formula accordingly". All of a sudden on their own behalf they can adjust a formula and where do they get their 4 percent? These are the figures in our brief afterwards.

I'm talking a 13.2 month year here because that's what you have with the calving interval; 1973 it was 12,800 pounds of milk per cow; in 1974 it was 12,200 and some; 1975 it's down to 12,000; 1976 it's down to 11,900. If you want to roll that out to a 12-month year, adjusted to a 12-month year, it's 11,486, and where does this 4 percent increase come from? And where does their 12,000 pounds come from? All they had ever used was a manipulation of figures to get to their end price.

Now I'm not going to bore you with the rest of them, I have more of them, it seems to me it's just a boring thing going through them. I have readily pointed out why we cannot particularly be left to bodies like that.

The next one I'm going to touch on is the Woods Commission, another government appointed board that has one producer on it, fortunately that was myself — or unfortunately, I'm not sure which. This is really a producer-oriented board because there's only one producer on, however many there was. Now I'm not saying everybody on there was dishonest, biased or anything else but this is how it ends up because they weren't all, there was some fine people on there.

The first glaring mistake that came up was out of 229,000 hours spent on this survey they did of 50 herds, 48 herds, all of a sudden there was a 9.1 percent disappearance of hours, they dropped 20,876 hours. All of a sudden the cattle credits increased by 2.67 per hectolitre. Don't forget when you start talking 2.67 per hectolitre, or you start talking 2.67 cents per litre, you are talking over 2 million to the dairy producers.

I couldn't help but laugh last night when I heard the Minister of Agriculture speaking and he was talking about a 25-hour day. Well, when we got collecting up information on this one, they arbitrarily threw out a producer that had worked too many hours, they figured, he took too many hours per day. And he did, he worked 25 hours a day and I threw him out too. Evidently after last night maybe I shouldn't have.

But tell me, why do they not throw out a producer that only works 7 minutes a day on a cow? I left them in too. But you know, that 7-minute per day guy, there's no way you can milk a cow twice a day, look after it's calf, clean the barn, you know, trim their hooves, fix the fences and whatever else you have to do in 7 minutes but nevertheless they left him in. It made a difference of 1.23 a hectolitre by leaving him in. That's over a million dollars in a year for the producers of Manitoba.

I'm going to skip a bunch of these again. I could get into the great manure debate. —(Interjection)— Where? Well, I thought that's why you'd like it, Mr.

Downey, it fits right in. All I can say is I had papers from the University of Saskatchewan, backed up by two papers from two universities in the States, Washington and I forget where the other State was, Illinois I believe the other one was. I had papers from the University of Iowa, to show what the figures should be. They all got out somewhere around 26, 30 cents. I was agreeable to something like 50 cents a hectolitre and they wanted something like 1.00. It got so when I first saw it, in fact when I first saw it I almost phoned home and told them, quit milking the cows and sell the manure, because there was something like 200 an acre of 150 an acre, is what we were spreading on our land, which is absolutely ridiculous. I've checked with other producers to see maybe they're a little more efficient than we were but it was all the same thing. Yet they would not take into account those figures. So why would we, as producers, or a producer board looking after producers, let a consumer-oriented board set that formula?

I was going to get back to the price of cheese. I don't think we'll get into that except the loss is 300,000.00. I do want to mention another one because this has come up many times. There was another group looking at pricing. They always like to compare us to other provinces. They always like to compare us to southern Ontario, the cheapest place where you can produce milk or at least you would think it would be, certainly different than here. Now we like to compare us with the high prices. You never hear a murmur out of norther Ontario, which is adjacent to us, and they give a summary of how many months they're above us, how many months they're below us, and etc., etc., but somehow they never seem to be able to get it right. Well, I won't argue too much on one of them.

They've got New Brunswick 34 times they're above us and twice they're under us and that's close enough to right. They never mention Nova Scotia that's 27 times over us and 9 times under us. They never mentioned Central Quebec which is 30 times ahead of us and 6 times under us. They didn't mention Montreal, that's the cheap region, 15 times over us, which is wrong, it should be 19 times over us and they said 21 under us and 17 under us. They never mentioned North Shore, 36 times over us and a 0 under us and on it goes.

I just bring those to your attention of why we do not want anybody that is a government-appointed board that we say can't help but be biased — I'm not saying they're dishonest — can't help but be biased towards consumers.

It is also of extreme importance that the Lieutenant-Governor-in-Council files the order regarding establishing the cost of production formula, due to the economic crisis the producers are in. Particularly over the last four years we have fallen further and further behind our cost of production, putting us in the position that we immediately require a price increase. I just want to read to you, and you've probably all read it before or heard me say, this is the price increases we have had over the last four years: 1976, we had 8/10th of one percent for an increase, 10 cents on 12.20 I believe it was; 1977, we had 4.6; 1978 we had 6.4; and 1979, we had 3.2, that gives us an average of 3-3/4 percent over four years and the figures I have,

inflation went up 10.4 — I'm not sure if that's exactly right but something like it.

Another good comparison which we had, and actually this is when we were down at the Canadian Milk Supply, I imagine at committees these figures come out. If you take a look at the comparison of the Class 1 prices and the national industrial price from the 1st of April, 1975 to the 1st of January 1980. Ontario's prices increased 30.5 percent; Saskatchewan have increases of 38; Alberta, 36; B. C., 44. The national industrial 30.5 percent; Manitoba, 22.3. I point those figures out to you to point out how necessary it is that we have an interim price because I don't think we can have a final price of a settlement or a determination right away, an interim price immediately. We have been waiting for a year for this, over a year, it was a year ago June when we went to the Minister of Agriculture and to Premier Lyon and we are in bad straits.

Something must be done immediately to bring producer prices in line with producer costs. If this isn't done immediately, we fear many producers will be forced out of business, resulting in a shortage of supplies of milk which will be harmful to consumers and perhaps devastating to rural processing plants and the communities in which such plants are located.

I think probably some of you know that we have lost some producers. Some of our producers have gone to Saskatchewan, not many, but there has been a few, very few. We have spent a lot of time with the board keeping them here in Manitoba because I think if we're responsible people — on a board I'm talking — we should try and keep them here.

I think you should know that some of us, when you heard it today, would make a lot more money if we sent our milk to Saskatchewan. I know our own farm in 1979 would have made 42,000 more by shipping to Yorkton. I know there's one farm in Steinbach area that would have made 85,000 more by shipping to Yorkton and believe you me, it doesn't cost 85,000 to ship milk to Yorkton.

The only people who can stay in the production of milk right now is somebody who is quite small or reasonably small, wants to work his wife to death and his kids too. Unfortunately I guess I didn't have enough wives because we got too big. Or somebody like ourselves that are carrying so much debt there's no way we can get out of it. We have a small margin if we don't count interest on investments. We have a small margin if we don't take freeze depreciation and they're the only people that can stay in it.

Now I'll read you some other figures I have here on the desperate straits we're in. I figured out for the average herd in Manitoba — this is October 1979 and things won't have changed any, except got worse — by the time you've got all your expenses in there, on the average herd, and that's about a 30-cow herd, or just a little bigger, its 31,730 pounds per month. That person, before any wages at all, to himself or anybody else, was left with 247 in one month. Now if you want to throw depreciation in there, he had 495 and I think that is a pretty conservative, I don't mean that as a pun, figure that we have there.

The proposed bill requires the commission to establish a cost of production formula and then to

issue an order indicating the price of milk to be paid to producers or the Producer Board. The commission isn't established yet. Its members haven't been appointed yet. It has no staff. It has no office. It will take time to establish the commission and to provide it with the facilities and expertise it needs to intelligently set the wheels in motion to arrive at a cost of production formula. No newly-appointed member of the commission will want to proceed with the establishment of a cost of production formula without acquiring a full background on the technical aspects of formula pricing. No member of the commission will want to be pressured or stampeded into taking action on such a technical and important undertaking. Our industry cannot stand the losses it will suffer during the delays necessarily inherent in setting up a commission to establish a cost of production formula. The Lieutenant-Governor-in-Council is in the position to act as soon as this bill is passed, if the following amendment is made.

Section 3(2) needs to be amended as follows:

"The Lieutenant-Governor-in-Council shall by order establish

(a) a cost of production formula which reflects the cost of producing milk in Manitoba including a reasonable return on investment to the producers of such milk. This cost of production formula shall be determined by an independent third party which shall be selected by agreement between the commission, the Producer Board and the Lieutenant-Governor-in-Council."

Now we're not saying the producers set the formula. What we're saying is that the commission which will be representing consumers, our board which will be representing producers and the government, by agreement pick this independent third party to set up the formula. And I know in briefs you can't be writing names and I don't want you to misunderstand what I mean by an independent third party. I mean some accounting firm, some consulting firm, P. S. Ross & Co. do an excellent job with the egg situation, that's what we mean by an independent third party.

We are not in agreement that the figures generated by the formula should be transferred to the commission to administer and fix the price. The formula should be transferred to the Manitoba Milk Producers' Marketing Board to administer and to fix the price. Our board is at present operating the milk industry in a businesslike manner. Already we are administering the federal government's quota system, the transportation system, and are pricing industrial milk to processors. To have the commission administering the formula and fixing the price, as determined by the formula, is just creating unnecessary bureaucracy. The commission, as previously stated, should be policing, not initiating them. In other words they should be checking that the formula is correct and that the figures generated by it are the ones being used by the Manitoba Milk Producers' Marketing Board in fixing milk prices. We are suggesting that the first line be deleted from Section 3(3) and also the last word of the third line along with lines 4 and 5. Our second amendment would then read:

"Section 3(3) The Manitoba Milk Producers' Marketing Board shall be order

(a) fix the price monthly as determined by the formula at which milk may be sold by a producer or the producer board for use as fluid milk."

We also suggest deleting the last two lines of the proposed section 3(3) due to the fact that not adjusting the price until a 2 percent variation occurs is too great a cost for the producer to have to absorb. If one is thinking of 40.00 per hectolitre of milk it can be a 79 cent cost to absorb. Now I know 79 cents, you know, you're not going to be absorbing that for a year. But the first month you could be absorbing 20 cents, second month 40 cents, third month 60 cents, because that's what your cost has gone up and yet you're not being returned by that. The fourth month it could go to 80 cents and your formula would trigger. And then we would catch up for that one day, before inflation takes off again. But when it goes that 80 cents, don't forget the plants will probably go up the buck, because they will go one cent a litre. And they will make another 20 cents because they're going to have an extra 20 cents in there.

I want to take a look just at British Columbia for you. And let's shorten it up, I'm not going to go all through British Columbia. Okay I'll start on June 1, 1978. They were getting 35.82, it went up to 35.85, well we'd only lose three cents. That's a good month. Then it goes to 36.15 and that's 33 cents we'd be losing for a month; and then it goes to 36.26, we lose 44 cents for a month; the next month it goes to 36.39 and we go to 57 cents lost and the next month its 36.57 and it triggers. Now I'm not going to go through all the others but they just keep right on going like that. We are inserting the word "monthly" so that the adjustments would be made as the costs change similar to those being done in British Columbia. Those prices I read to you are what actually happened in British Columbia.

To enable the monitoring by the commission of the formula and the administration of the fixing of the price by the Manitoba Milk Producers' Marketing Board, we would amend Section 3(5) as follows:

"Section 3(5) The Commission shall monitor
(a) the cost of production formula and the administration of the price paid to the producer;
(b) the price of fluid milk charged by distributors and retailers where the commission deems those prices to be unreasonable, the commission may by order establish schedules of maximum prices and minimum prices or both at which fluid milk may be sold to consumers."

We have just added in on the monitoring, you've already had that (b) in the bill. We added (a) to it.

Section 3(4) would be deleted in its entirety. The establishment of a formula regarding a butterfat differential should be determined by the same independent third party that determines the cost of production formula. Therefore our amendment would be an addition to 3(2) as follows. And remember this is the Lieutenant-Governor-in-Council that's establishing this.

"Section 3(2)
(b) a formula to establish the butterfat differential to be applied to the price at which milk to be purchased for processing as fluid milk shall be sold by a producer or a producer board to a processor."

Now those that have a brief in front of you. The next two lines should not have been indented,

they're not part of the amendment, its just a new paragraph.

The fixing of this butterfat differential should be done by the Manitoba Milk Producers' Marketing Board. Therefore, it would be necessary to add 3(3)(b) fix the butterfat differential in accordance with the formula, effective from the date of the order until the differential is varied by a further order.

Now I think if you just skip over two pages, miss one, you'll see a recap of all those amendments that simplifies it a great deal. I don't think you want me to read all those again.

Section 3(2) is the Lieutenant-Governor-in-Council shall by order establish a cost of production formula, establishes who does it. In (b) he's establishing the butterfat differential.

Now Section 3(3) has the Manitoba Marketing Board administering both the price for milk and the butterfat differential and setting those prices.

Section 3(5) we have the commission monitoring both the cost of production formula and the administration of the price paid to the producer and they're monitoring the prices of fluid milk, which you have in your bill.

We have sorted it out there that the Lieutenant-Governor-in-Council establishes the cost of production formula — both formulas. We have the Manitoba Milk Producers' Marketing Board administering it and fixing the price; we have the commission doing the monitoring.

Now if you go back to where I left off on Page 5.

In our board's opinion, the commission's roles should be consistent. We should recognize the fact that the commission is being asked to act as a policeman in the milk pricing system. We should recognize the fact that the commission will become a consumer advocate. We believe these facts are recognized by our previous approach. However, an alternative approach for your consideration would be to permit:

(a) the Manitoba Milk Producers' Marketing Board to contract with an independent nationally recognized reputable consulting firm for the preparation of a cost of production formula, and then to allow the Producer Board to fix prices established by the formula;

(b) if the consumers were unhappy with either the formula or the price determined by the Producer Board in accordance with the formula, it could complain to the commission, who could conduct an investigation on behalf of the consumer interests;

(c) if the commission felt the Producer Board had acted unreasonably, the matter could be referred to the Manitoba Natural Products Marketing Council. Producer interests, represented by the Producer Board, would then have to justify its position to a neutral party, the Manitoba Natural Products Marketing Council, and meet the arguments of consumer interests, represented by the commission.

We feel either of the two approaches suggested by us are more consistent with the role we expect the Milk Prices Review Commission to follow and would urge that the bill be amended accordingly. We have appended to our brief the amendments required to be made to the bill to adopt either one of the above alternatives. Again, if you go over two pages, you have that alternative set out where we are establishing, by an independent third body, the

formula when we are fixing the price, and we have another suggestion thrown in there, our board's second choice, instead of adjusting it every month, we don't agree with that 2 percent. We have a suggestion of using half of 1 percent, .5 percent. We prefer it adjusted every month, but if you're afraid of a rock-and-roll thing, .5 — that's 20 cents on 40 which would be liveable. And we have the monitoring being done by the commission, with appealing to the Natural Products Marketing Council.

Mr. Chairman, these amendments requested are not to try to make producers wealthy or to gouge consumers, but to allow the producer to receive an equitable price, a price that is recognized as being fair by all groups, consumers, processors and producers. In that way we can maintain a sound dairy industry and could optimistically and with enthusiasm work towards expanding the dairy industry. Surely that is what all Manitobans desire. I think its a little foolish for us — and we work very hard on this board to try and expand the industry; we're mighty interested in what the processors are doing and are trying to help them. I know, if you read the papers you'd think not. We're mighty interested in the consumers; I've already said that. But you know this year, right at the present time, we are short in this province 624,000 worth of milk, at the producer level, never mind what it gets to after it gets through the processor.

We have supply management or CDC and ourselves have predicted that at the end of the year we're going to be short 500,000 worth of milk. (Interjection)— Pardon me? Quota milk. Well it's milk. And you know, Alberta is sitting there, not filling over 7 million worth of milk. Which we have the opportunity, and I should have been down in Ottawa today arguing like hell for it, because we have probably been the spearhead at trying to get a regional concept it, so we could get first crack at it. Mind you, B.C. is going to take as much as we are probably, and we wouldn't know what to do with 7 million worth of milk. But it's still sitting there. That we should have had the opportunity to take before Quebec and Ontario take it. And what's the point if we're not going to paid a half-decent price for what we are getting right now?

To leave the producer in an equitable position means a shrinkage of the industry. In other words, this present dairy year is the first year since 1975 that Manitoba has not filled its allocation of the national quota. Unfortunately, there is no interprovincial adjustment for this year but in the 1980-81 dairy year, there will be, in which case Manitoba's quotas will be reduced.

I am not quite being honest when I say "will be." I had better just modify that a bit. I think they probably will be, because nothing is certain and they haven't signed that agreement yet.

That means 500,000 a year you gradually reduce and shrink that industry, that's just at the producer level. This will mean a loss of income each year for Manitoba.

There are a couple of things that I would like to say, that I haven't got in the brief. One, I keeping hearing in briefs today, people talking about drought and interests rates. When I am talking what we are short of in money, and you know a long time ago our position was that our cost of production was 41.55,

that's back on March 31, I don't know where it is now, we're not talking drought and we're not talking interest rates; interest rates have to come in with costs. But we are talking just the general costs, never mind the drought, that's something over and above. We were short 5 cents then, March 31, never mind now.

The other thing I dispute, or don't agree with, I should say, is when I keep hearing people talking about a monopoly. There is UHT milk in this province, coming in from Alberta, which is Ultra High Temperature milk. There is milk coming in on the west side from Saskatchewan. There is some milk coming in on the east side, I understand, and personally I am not against this competition. If we can't beat them on straight competition, something is wrong.

There are all kinds of other ways people can get their protein or whatever else they get out of milk — I'm not a nutritionist — besides just milk. There are all the other beverages that are our competitors and I don't really subscribe to this saying that we are a monopoly.

I was very pleased to hear Miss Land say that the Health Action Group, and I'm sorry she is not here, is in agreement with us that the producers should not be held down because of the poor people. I do believe that it is not the low-income people who set the price of milk in this province. The ones who set the price of milk in this province are the middle-income group. I think that has been shown, when the federal government had a subsidy on skim milk powder and on bread and they took them both off because when they did their surveys or did their research, they found it was the middle-income group who were taking advantage of it and not the lower-income group. They were gaily buying raw milk, and I don't mind, I hope they do buy raw milk. Again, I am not against their proposal, naturally; if you want to subsidize the lower-income group, it will sell more milk for us. That's the government's problem and not ours.

I do wish that Miss Land and Mr. Peltz were here. I just wish they would come, and I wish your gentlemen would come some time; if you want to discuss the pricing of milk, give us a ring and we'll come down, or they should have come down to see us. It no doubt annoys us to no end to — I hope when she said that the Milk Control Board congratulated them on their well-researched brief, it isn't the one I have, maybe it's a later one. But I do have a brief, and I'm not going to go into it all, but I keep remembering, there is something like 25.00 hay in there, I believe, because beef cattle eat it. I don't know how much milk you get out of it. It's like me going over to Mr. Jetson at Beatrice Foods and saying, "My God, you know, you're wasting money putting that milk in plastic bags, you can put it in paper bags for half a cent," because, you know, that's what that hay thing gets into.

I just wish they would contact us a bit.

I see I have on here, "We would be pleased to answer any questions with respect to these proposals." Somebody in the back told me to say, "No questions," so they can get to bed earlier, but I am pleased to answer questions. We earnestly seek support by the committee of the suggested amendments.

MR. CHAIRMAN: Thank you, Mr. Rampton. Mr. Rampton has indicated that he would respond to questions. Mr. Rampton.

MR. RAMPTON: Could I add one more thing, because in my haste, I guess I missed it in my notes.

I would like to just take a look at the very back page on the brief. They are the latest figures I have on the fluid prices that are charged to processors for milk going into the bottle, in other words, class 1 milk. I'm not going to go through them all. The closest figures I have to them, PEI is the only one. They usually stay pretty close to us, and they are pretty close to us, although they are a little bit under. You can see where the others have gone. When you get to Saskatchewan, it isn't official, but unofficially, they are going to be going up 3 to 5 cents on the 1st of August, so you can see that they are at 38.81 now and by the 1st of August, my guesstimate is, and it's a pretty good guesstimate, is it's going to be 41.81.

The next list, and I have only taken the provinces beside us, is what a producer receives after taking into consideration the average utilization that goes into fluid, the average utilization that goes into industrial. —(Interjection)— That's what it would be, a blend. Now, they don't have exactly a blend price, so you have to take an average, and I'm talking fluid producers.

Northern Ontario is of the producers I have figures on. You know, it is only an indication. I mean, you can figure that would make that 38.50 or you could make it 38.00. —(Interjection)— Yes, fluid, the amount they ship industrial and the amount they ship fluid, combined.

When you get to Manitoba, that is our average price for the year, if the prices stayed where they are today. June, our payout was 32.20, but our pool prices changes from month to month according to the amount of milk we have, because the industrial goes up and down.

That is after subsidies on the industrial part, after levies on the industrial part, and after the fluid levy. They are all the same.

Saskatchewan, about 20 percent of their milk is industrial and 80 percent is fluid, and that is after their subsidies, levies, and there will be a 2.27 subsidy thrown in there, because you cannot think about the pricing in Saskatchewan, where it is 100 percent co-op, to my knowledge, 100 percent co-op; they all get subsidies, so the farmers take-home pay is something over 1.00, their subsidies, but I went with just the straight 1.00, which is a hundredweight, which is 2.27 per hectolitre. They are getting 39.20; they will be getting 41.42, if it does go up the three cents. Alberta is 39.02.

So you can see where shipping either way would make you money. You can see where, if we run short of milk in this province, and I am certainly not threatening we will, but if you ran short of milk in this province and you had to import it, you will pay that difference in price, plus the freight.

MR. CHAIRMAN: Thank you, Mr. Rampton.
Mr. Uskiw.

MR. USKIW: Mr. Chairman, first of all let me say to Mr. Rampton that indeed they have presented a very comprehensive submission and, indeed, a document

that I think is credible in many respects. I think they did a fairly good job on this one and that one would have to respect there are a number of areas, notwithstanding that, that I would want to pursue with Mr. Rampton and with Mr. Dooley.

The idea that retailers will sell below present prices — no, I'm sorry, that's not what Mr. Rampton stated. I want to reconfirm: You indicated, sir, that there will likely be some competition as to the retail price if we don't have a maximum price. Do you envisage that that will take place by way of reducing the present retail price, or by way of all of the stores not charging the increases that will apply from this point on?

MR. RAMPTON: First of all, Mr. Uskiw, I think if this went into effect tomorrow, there is bound to be an increase in all stores, bound to be, because we have got to catch up; they have got to catch up. Because if my presentation is anywhere near correct, it has got to go up something and that has got to be passed on, so everybody has got to go up some now.

But from there on, I think the price will be held down considerably more by the competition than if you put a maximum in there, because the price is going to go up right now if we were to get — I hate to say a figure, I'll make it good and high — 10 cents tomorrow, it has got to be passed on to the consumer, even if you put a maximum price, you can't leave the maximum price where it is today.

MR. USKIW: The other intriguing part of your submission, sir, has to do with your expectations of an independent body. We have been around a long time and we have had many independent bodies adjudicating on many different things, but their independence has always been questioned by someone, so if you have an independent body, sometimes it depends on who pays for their work as to their independence and as to their biases. Who would you propose should fund such a research group that would give you the formula price?

MR. RAMPTON: Our original proposal that we were going to make to you was that we would pay for it. The second was that we would split it with anybody who wanted to split it.

MR. USKIW: Mr. Chairman, may I make a suggestion to you, sir. Don't volunteer to pay for a study if, after the effects of that study, you will want to call that an independent report, because I believe that will be your weakness if you are challenged or if the report is appealed to the Council. So I would advise you that you ask Mr. Downey or someone to pick up the bill for that. In that way, you won't have a conflict of interest and no one will be able to accuse you of paying the piper and therefore he must play to your tune.

MR. RAMPTON: Could I not accuse Mr. Downey, then, of being a little biased, or them being biased towards him? Do you not think it would be better if we all shared in this?

MR. USKIW: I think we are now demonstrating fully the point that I am making, and that is that there

truly is not such a thing as an independent point of view, unless it is somehow thrust upon us from the outside where nobody has communicated from the inside with that group or is not funding the report. That's a dilemma, and I appreciate it as such. But I don't believe there is such a thing as a truly independent body of people that have no particular views or no particular opinions. I think it will depend largely on who the people are, their background, their perception, even their biases, and I think we have to accept that as a reality. I don't believe that we can conclude that there will be no bias whatever in any report that comes through from any source.

I would suspect you would agree with me on that?

MR. RAMPTON: I think, Mr. Uskiw, you are splitting hairs. I don't think you can get to a thing as that, and, to me, that is the fairest you can get to, if we offer, or they offer, or whoever offers, that we split the cost, surely you can't get anything closer to that. It can't just come out of the thin air.

I think that the producers are bending over backwards so that the consumers, so that the government, will accept what we come up with. We are quite willing to stick our necks out and say, "Okay, Mr. Downey, okay, Mr. Uskiw, we'll split the bill with you three ways. We don't want you to get in the driver's seat and we don't blame you if you don't want us." How you can get it any more fairer than that, I don't know.

MR. USKIW: Let me ask the obvious question, then. Do you expect that such an independent body would never disagree with your views, or you with theirs, as to the formula, as to the cost of production?

MR. RAMPTON: I would certainly think that they would disagree with us and we would disagree with them and I would say that they've got pretty poor credibility if they can't stick to their guns and prove to me what should be done. I don't expect an independent body. They're no good as an independent body if they're going to bend on all my thoughts nor on all of your thoughts. I mean, that's why you want a credible independent body.

I haven't heard too many people really complaining about the egg formula. I mean, sure, I read in the papers all this malarkey but how much is wrong with the egg formula?

MR. USKIW: Well, if we're using the egg formula as an example, I think the problem with that analogy is that it is not a commodity that is subject to the kind of scrutiny that the present milk legislation provides for Manitoba, or even the replacement legislation. So, therefore, there isn't sort of the thrust on the part of any group to challenge that particular report for the egg industry. I think you'll find that it won't be that way in the milk industry for the reasons that I have just stated.

I don't know that we can draw that as an analogy, Mr. Chairman.

MR. RAMPTON: Well, Mr. Uskiw, I think that's the good part about it. If this independent third party is not as independent as you think they are, this bill, particularly for consumers, leaves two places for them to appeal and they can appeal it if they don't

like it and we don't mind if they're appealing. I really what I said about the egg, what I suppose I was saying, I don't hear any of us in here or myself or our board or the other boys, complaining about the egg formula. There's things they don't like about it, I would imagine there's egg producers think there are things wrong with it, in fact, I know they do.

MR. USKIW: Yes. Why did it take four years for you to take the position that you are now taking, not only you, but you're saying that this problem that you are outlining to us of price adjustment has developed over a four-year period, which takes us back to 1976, it takes us back to one year of the previous government and three years of the present government? Why has it taken that long to get some movement on this question if the problem is as acute as you have outlined it to us? Where were the roadblocks, is really the point that I'm trying to make, Mr. Rampton?

MR. RAMPTON: Probably I'm too easy a going fellow, Mr. Uskiw, now. I think if you'll remember correctly I was in your yard in 1976.

MR. USKIW: Right, yes I do. That's right.

MR. RAMPTON: Complaining about it. I wasn't Chairman then but I called in and I said, there's no way Mr. Uskiw can we stand 10 cents. We have complained bitterly to everybody. We have asked people to make a change, that we were not getting a fair play from the Milk Control Board continually for the last four years.

MR. USKIW: Mr. Rampton, at that particular time, I recall the visit very distinctly, it was a very good visit, a very casual friendly visit. You were not representing the board, it was simply representation of yourself and your own personal views at that time, Mr. Rampton.

MR. RAMPTON: I was a board member and I think I was representing just my own personal views.

MR. USKIW: Yes, that's right.

MR. RAMPTON: I don't remember whether I was or wasn't, Mr. Uskiw, but I certainly wasn't there on an official visit.

MR. USKIW: That's right, yes. Can I ascertain from you then when the board made its current views known to the new government?

MR. RAMPTON: I was trying to think whether it was the 18th or the 19th.

MR. USKIW: Of what year?

MR. RAMPTON: When they got elected.

MR. USKIW: Well, that's exactly why I'm asking the question, Mr. Chairman, obviously. I would like to know and I think I'll have an opportunity to ask the Minister in question period tomorrow, why it took him three years to come to the stage where we're at today?

MR. RAMPTON: Mr. Uskiw, I cannot honestly tell you when we officially complained to Mr. Downey. I would think that lots of our letters that went back and forth — and I'd have to dig them out and I might be wrong, Mr. Uskiw.

MR. USKIW: Okay, I'm just having a bit of fun.

MR. RAMPTON: But I can tell you that I personally told Mr. Downey that we were having problems.

MR. USKIW: Okay. Yes. In this brief you suggest that there's no need to have the commission administer the formula price, that is correct?

MR. RAMPTON: Yes.

MR. USKIW: I happen to agree with you. I think that's a very good suggestion, and if you agree on a formula there is not need to set up another administrative body. I would hope that you prevail on the Minister that we not have that kind of duplication because we have enough of it as it is. I happen to agree with that recommendation of yours, sir. I think the Milk Marketing Board can do an adequate job in that respect if we are satisfied with the formula. I think the formula is the key so I think that's a very good suggestion.

MR. RAMPTON: I agree with you, Mr. Uskiw, that really the nuts and bolts is establishing that formula.

MR. USKIW: That's right.

MR. RAMPTON: That's the guts of the whole thing. That's why it has to be agreeable to all parties. We could easily go, and we have in our second presentation, say we should be established. I think that's what we really think we should be doing but we don't mind bending over backwards to let everybody be happy.

MR. USKIW: Yes. One final question for the moment. You made reference to the fact that producers in Saskatchewan enjoy a much healthier return for their milk and you made reference to the fact that part of that return is as a result of their ownership of the processing industry in Saskatchewan as a co-operative ownership situation owned by the producers of milk in Saskatchewan. Why do the Manitoba Milk Producers not wish to realize the same added benefits by owning their own processing facilities as do the producers in Saskatchewan so they can realize another couple of dollars on their milk as they do in Saskatchewan for that very reason?

MR. RAMPTON: Well, Mr. Chairman, Mr. Uskiw . . .

MR. USKIW: That's a curve, I agree. I think it's a good one.

MR. RAMPTON: I think you know, Mr. Uskiw, that we have bent over backwards trying to co-operate with MANCO, not to the detriment of Modern Dairies and Silverwoods because I don't believe in doing it that way and you know that very well. I'm not going to cut off the supply of those other people who have

built up a fine industry in this province and I'm not doing it that way but we have bent over backwards to try and help co-op. And I know you've bent over backwards to try and help them and you know what success we had. We ended up with dumped milk. There's been nothing but that problem ever since, one way or another.

MR. USKIW: Yes. Would you then agree or vary the opinion if you like, that there is a need, has been a need and is a need today for some fair degree of rationalizing the processing industry in this province and that it would indeed make sense if the producers, through their Marketing Board, in co-operation with the other co-operatives that are in existence, do in fact enjoin the Minister of Agriculture in bringing about that rationalization so that we can have a better return to producers, based on the fact that they also could enjoy dividend returns on their milk supplies?

MR. RAMPTON: I don't believe, Mr. Uskiw, that we want to start twisting arms. I think that people should be able to see that. I think that MANCO should be able to see that and I think the producers should be able to see that but I want to add right quickly, that I'm not overly enthused about MANCO or any other co-operative having all the dairy industry. There's too many other things.

MR. USKIW: Well, yes. The reason I ask that is because MANCO is a fairly good portion of our dairy industry in Manitoba, substantial component. We also have Silverwoods in Manitoba that has, I believe, about 20 percent of the market in Manitoba. I may be wrong but that's from memory.

MR. RAMPTON: I don't know.

MR. USKIW: If you were to marry those two entities with some of the smaller co-operatives, you indeed would be in control of a fairly large sector of the milk industry in Manitoba. And I say that because Silverwoods pleaded with us for about two years to either find a buyer for their portion of the market or to buy them out as a public enterprise; they wanted out. I don't know if they still do but it seemed to me that there is going to be required, at some stage, some major thrust in order to modernize the dairy industry in Manitoba to put all these loose ends together in order to make sense out of it so that producers can be the main beneficiaries. I think we're just putting it off year after year by ignoring it. I think the problem is there, it's been recognized. It's been recognized by the people who own those processing facilities. They recognize that and have for a number of years.

It may require one major government thrust, financially, and I suggest that it may even require that to be in the form of a grant to the producer marketing board in co-operation with the co-ops, to make it happen. But it seems to me that that's an area that should be pursued in the interests of producers of milk in Manitoba.

MR. RAMPTON: I'm not so sure, Mr. Uskiw, that you're 100 percent correct. I'm not arguing with you on that. The first thing, and you know it as well as I

do, is that if you're talking MANCO, they've got to straighten up their own house first.

MR. USKIW: Yes, okay.

MR. RAMPTON: It's an impossibility. I mean if you follow what we do we get going along all good and well and then everything comes to a halt because we can't go any further and if you have people you can't work with, it wouldn't make any difference if Mr. Downey gave us 10 million, it would all go down the drain until they straighten up their house. And if they straighten up their house, I doubt if they even need Mr. Downey to give them money. Well, I'd better not say that, I think they would need it then maybe we might get it. But I really doubt if you would because I think in a businesslike way they can do it.

I'm not saying that you have to go to a co-op. I'm not sure that if we had the authority to do the right pricing and all the different segments of the industry, all the different utilizations, if we had the backing all the time on it, I'm not sure that that isn't just as well because you can get tied up with, oh well, you'll make another extra 2.27 in dividends. But you forget somebody like Modern Dairies, somebody like Silverwoods, are pretty expert at selling. You must never forget — and I know I've done lots of quarrelling with Modern Dairies — but you must never forget they developed one hell of an industry.

MR. USKIW: Yes, my last question. We have a dilemma. Our dilemma within our group here — I'm referring to the members of my political stripe — have a dilemma with this legislation and we hope you can help us with the solution or finding a solution to it.

We agree that a formula price for producers makes sense, to get away from the long periods of discussion and deliberations that do take place whenever there's a price review, we have no problem with that. We happen to disagree with the idea that there should be no consumer protection and in this bill there is both. But we have the problem of the Minister's announcement in opening the debate, he said to us that his aim is to be deregulate the price beyond the producer, even though the bill doesn't say that.

So now we have a dilemma. We'd like to vote for those measures that support the needs of the producer but we are not going to throw away the interests of the consumer. So I ask you, sir, how would you recommend that we deal with this bill?

MR. RAMPTON: I'm not so sure, Mr. Uskiw, that I have not presented just the opposite because I think the consumer is well protected and I think it's the consumers' interest. If I didn't think that I wouldn't be saying it because it's particular to our interests how the consumer is used and I don't think that the producer is protected in this bill because I think the consumers are having control over the establishing of the formula. So I don't really go along with your thinking on that.

MR. USKIW: Yes. Just to clarify for you, sir. It is not in the legislation but in the Minister's press release he says that: "The retail fluid milk price will find its own level!", therefore, there shall be no consumer

protection at that stage, and that is where the New Democratic Party finds the bill unacceptable — not the bill, the intent of the operation of this legislation, unacceptable. There is just no way in which we are prepared to enhance protection on the one hand for one group, while with the same stroke of a pen, removing it from another group. That is just not in the cards, inasmuch as we would like to agree and support the provisions that allow for formula pricing and, indeed, your amendments, a number of them which are very good and sound amendments. But we have a dilemma on that question and, that is that we are not about to forsake the interests of the consuming public on the retail price.

MR. RAMPTON: I guess I am not on the same wavelength as you are, Mr. Uskiw, because . . .

MR. USKIW: I am quoting from the press release issued by the Minister.

MR. RAMPTON: I know, but why is deregulation so bad on consumers if, in the province where the deregulation is, there is more milk sold, there is a higher per capita consumption? Does this not mean that the consumers are benefitted by the deregulation?

Why we want deregulation, just so we can read in a book that somebody is protected, when really they are not, it's kind of a false protection, is where you and I are on a different wavelengths, because I don't think they are protected with that maximum price because when you put that maximum price in, that's where that price is going to go. —(Interjection)— Not always. I was going to bet you something. —(Interjection)— Okay, I'll bet you, Mr. Uskiw, if we could get them to tell the truth . . . Okay, I'll bet you that the processors would sooner not have the deregulation. And, Mr. Downey, I think, yelled over to you last night — and I'm sorry I missed most of that in the House, and correct me, Mr. Downey, if I am wrong — I think he yelled over that they did not ask to have it deregulated.

So now, what I am saying is, I know they don't want it deregulated because they are in a happy place where they are, and who's paying for that? The consumer. —(Interjection)— The retailer? Well, now, let's start over, then.

MR. CHAIRMAN: The Honourable Minister.

MR. DOWNEY: Mr. Chairman, I just want to ask the Chairman of the Producers' Marketing Board — he maybe wasn't in the House last night, but he has heard over the past few days some of the debate on Bill 86 in the House. Maybe he didn't hear the Member for Burrows, and the Leader of the Opposition, who was painting the picture to the public that it was one of the worst things that we had done by allowing the producers of the province to have some ability to increase their prices without having to go before the public hearings, that Bill 86 was horrendous . . .

MR. CHAIRMAN: Order please. The Honourable Minister.

MR. DOWNEY: The question is, Mr. Chairman, that we have only been in office for approximately three years and, Mr. Chairman, we in fact have moved and moved in what you have said here tonight, in a responsible way which it alleviated some of the difficulties for the dairy producers, that it is allowing protection for the consumers, that we have moved after two-and-a-half to three years to alleviate those difficulties.

Is it not correct that the last administration of this province had eight years to make that same move, and didn't; and an opportunity to do so when they had the pooling system of milk put in place but didn't have the foresight, or whatever it took, to alleviate the difficulties of the dairy industry? Would you not say that they had eight years in which they should have moved and didn't take it on themselves to lift the load off the backs of the dairy producers?

MR. RAMPTON: I'm not sure, Mr. Minister, what your question was, but I will agree. I guess they had eight years to do something and you have had three-and-a-half, or is it two-and-a-half, or something. Was that the question?

MR. CHAIRMAN: Mr. Driedger.

MR. DRIEDGER: Mr. Chairman, I just have a few short questions. Supposing that the cost of production formula, once it is in place, and it is a good formula, and in your submission — (Interjection)— Well, you know, an acceptable formula, and it will automatically click into place as the cost of production changes. In your brief, you recommended that the producer board should be setting the price. Why would it make a difference whether the commission would set the price or the Manitoba Milk Producers' Marketing Board would set the price, if the formula is in place and working well?

MR. RAMPTON: Mr. Driedger, I think it is a very unbusinesslike way to go about things, by having another bureaucracy built up and we have got to wait until the price gets over from them over to us. I think that in either one of our proposals, we have it nicely sorted out that we are setting the prices and the other body is monitoring, and I think you get inconsistent if you get them into setting prices. It should be the same price, quite true, but I think it makes more sense to have us setting the price.

MR. DRIEDGER: A further question. You have made quite a few recommendations in terms of amendments. Initially, you were suggesting that the bill was a relatively good bill, that you felt that the Producer Board could support the bill. If all those amendments that you have recommended do not necessarily get put into the bill, is it still a good bill?

MR. RAMPTON: Did somebody say that I don't have to answer everything?

MR. CHAIRMAN: That is correct, Mr. Rampton.

MR. RAMPTON: No, I'll answer it. Mr. Driedger, I happen to look after about 1,300 milk producers. Those guys are strapped to the wall and anybody who says they can't vote for this bill, I don't know

how responsible they are. Sure there are things in that bill that I don't like and there are things in there we can't accept; but to say that I would turn the bill down. I just can't do it. I think if Section 3, subsection 2 is not changed, if we weren't strapped to the wall, then we shouldn't support it. But we are strapped to the wall; we have no choice — (Interjection)— And that's a gun to our head. And it's a gun to everybody's head because we're in such a terrible position and I don't care which party you are talking about, you both put us there.

MR. DRIEDGER: Just one further question. The Member for Lac du Bonnet has his light moment and I would like to have mine as well. After eight years of not doing anything with it, would you not have to agree that it takes a pretty gutsy government to take and bring this kind of legislation in place with the consumer resistance that we have?

MR. RAMPTON: I will say one thing, that it will take a good gutsy government to put it in and I think that's exactly what we need because I think if we are going to change the milk pricing situation, let's change it correct — let's change it correct — and if you leave 3(2) the way it is, it is not changed correct.

MR. CHAIRMAN: There being no further questions, thank you very much for your presentation, Mr. Rampton.

MR. RAMPTON: Mr. Dooley, I am sure, would like to say something. He has got a few technical things to bring up. I would certainly like to thank you very much. I'm afraid I know you all too well and it gets to be too much of a game, but thank you very much.

MR. CHAIRMAN: Mr. Dooley, on Bill 86.

MR. T.P. DOOLEY: Mr. Chairman, I came from all the way across the street to be here this evening. I will try to be very brief. Perhaps some of my comments will be a little technical, but I promise not to speak about "ofs" and "ands".

Mainly, though, I do want to make this point, that I don't want to distract in any way from the main point of the position of the Manitoba Milk Producer Marketing Board, which is that the commission is being asked to do the impossible when it is being asked to be the watchdog of retail prices and a consumer advocate, attempting to ensure that consumers are treated fairly, and at the same time, be responsible for fixing a formula and administering the formula that will establish producer returns and as a result of those establishing producer returns, perhaps increase the price of milk. So I don't want to distract from the main point that Mr. Rampton has made, that Section 3, Sub 2, requires amendment.

The technical items are these: Firstly, on Section 4, Sub 1, there is provision in there with respect to appealing orders. There is a flaw there. Mr. Peltz has mentioned it already. We need a statement in there indicating that there can be an appeal from the failure to issue an order, in addition to the order itself. Mr. Peltz tried to solve it another way by mentioning the 30-day period. I don't think that's the right way. You have Mr. Tallin to give you advice on the correct draftsmanship of it and we'll defer to him.

The second problem with 4 (1) is that it only mentions an appeal from orders with respect to subsection 3(2) and 3(5). In my reading of the Act, I see that there are orders that are going to be issued under 3(3) and under 3(4) and under 3(9) and I believe that when 4(1) is looked at, it should be looked at carefully to ensure, firstly, that there is an appeal if there is a failure to make an order, and secondly, that there is an appeal from all orders that are provided for under the statute.

Secondly, Mr. Chairman, this hasn't been mentioned in any of the briefs. It may be an oversight, but in Section 4(4), dealing with information on costs and profits, there is a right to obtain information from the Commission with respect to an appeal to the Marketing Council and there is a requirement that the Commission is to provide that information. But it is not clear as to when they have to provide it and I think it should be clearly spelled out in 4(4) that they must provide that information prior to the hearing. It is no good after the hearing. There is a very very short period of time that has to occur between when an appeal is initiated and when the hearing is held, and I think we ought to state very clearly that the Commission must provide that information prior to the hearing.

Again, in Subsection 4(3), where the appeal procedure is set out, I think the Producer Board applauds the provision that indicates that the Manitoba Council is not bound by the ordinary rules of evidence, because we believe that can make the forum more meaningful to producers who want to appear, to consumers who want to appear, to people who don't necessarily understand the rules of evidence and don't necessarily retain solicitors to help them, so that the appeal can be meaningful to these people. But we believe that the wording requires a little bit of sprucing up and additional requirements in there.

In addition to making presentations, we believe that it should be clearly stated that evidence can be called. We believe it should be clearly stated that there is a right to cross-examination of witness under oath, and we believe that it should be clearly stated that there is a right to call evidence in defence in reply to an argument that somebody else has put forward, by way of summation.

Mr. Chairman, in looking at the statute, as indicated earlier, there are a number of sections that require action by order. We approve of this. We don't believe that action should come by way of letters or by phone calls or by press releases, but by orders, so that everybody knows exactly what the decision is and everybody is advised of it; it is a public document.

It appears that there is a minor oversight, in our opinion, in subsection 3(2). There is provision that a formula is to be established by way of an order. In subsection 3(4)(a), there is a provision for a second formula establishing a butterfat differential. 3(4)(a) does not state that that formula has to be established by order. We believe it should.

3(4)(b) does say that the price will then be fixed by order — well, that's just a reflection of 3(3), which indicates the price will be fixed by order too. We believe that that one item is missing.

Finally, Mr. Chairman, the producer boards from time to time have gotten into discussions with the

Manitoba Marketing Council, which is charged with supervising it. The word "supervise," at times, has been thought to be a little vague and we wonder just what the impact of it is. It appears to us that the main function of the Prices Commission is to monitor, is to hear complaints, is to make investigations, is to take actions.

In reading 3(1)(a), it says two things in there. Firstly, it says that the Commission shall supervise the production, processing and distribution of milk for the purpose of enforcing its orders and regulations. We question that. We have no trouble with the rest of the section which says that the Commission shall monitor and hear complaints regarding the pricing of milk, but just how do the words "supervise the production, processing and distribution of milk" creep in there? They don't seem to fit the nature of the Act itself as a whole.

Those are all my comments. They are technical. I think you are better off talking to Mr. Tallin about them than to myself.

MR. CHAIRMAN: Thank you, Mr. Dooley. If there are any questions from members of the committee, would you be available to answer them?

MR. DOOLEY: Certainly. If they are policy-oriented, I would prefer that Mr. Rampton answer them.

MR. CHAIRMAN: There appear to be none. Thank you both, Mr. Rampton and Mr. Dooley, for your presentations on Bill 86.

Is Mr. Shellborn here? (No response.) If he is not here, that brings to an end the list of presentations on Bill No. 86.

Is there anyone else in the gallery who wishes to make a presentation on Bill No. 86? There appear to be none.

I would call for presentations on Bill No. 61. Mr. Dooley and Mr. Rampton.

BILL NO. 61 — AN ACT TO AMEND THE DAIRY ACT

MR. CHAIRMAN: Mr. Rampton.

MR. RAMPTON: Mr. Chairman, I have to apologize for this brief. I didn't realize it was coming up today; I certainly haven't polished it up. I think it would have been rewritten a little differently; I was going to finish it off, so some of it is kind of rough. There is supposed to be something attached; I know I haven't got 20 copies of the attachment but there are probably enough there for you.

Mr. Chairman, the legislative amendment committee of our board, which included our legal counsel and a representative of the dairy section of the Manitoba Department of Agriculture, have carefully perused Bill 61.

The Manitoba Milk Producers' Marketing Board requests the following changes in the bill, which will make the Act more (a) consistent with the other Acts of the legislation, including our own Natural Products Marketing Act; (b) fairly applied when it comes to enforcement.

Under Section 20, Sub (1), in the second line, the words, "or store in a farm bulk cooler," should be deleted. If those words are left in the section, the

section is not practical. Those who have any practical experience of milking cows know that there are a multitude of situations causing substandard milk to be collected in the farm bulk tank without the producer's knowledge. Also, it is well known that on occasion a producer has to store milk in his bulk tank until such times as various tests can be made. Therefore, because the milk is in the bulk tank, it does not necessarily mean that the milk is for sale, nor should it mean so. There is no other place to collect the milk.

We propose that this legislation would allow prosecution of a producer having substandard milk in his possession, even though this milk is not for sale. We think this is completely unreasonable.

The Manitoba Milk Producers' Marketing Board wants to very strongly emphasize that quality milk production can only be achieved and sustained through extension, self-disciplining policies, and the power of suspension when required. Prosecution, in any form, has no place in our industry at the production levels.

In the past, we have had penalty policies in place that have certainly rectified substandard problems. We now have drawn up, along with input of the dairy section, an excellent penalty system incorporating an accumulative liability for producers of substandard milk, copies attached.

The regulation is being discussed with the Manitoba Natural Products Marketing Council. The Council has to approve this regulation prior to its becoming effective.

What we are saying so far down there is that, and I want to go back to the not being practical, at times you have cows, for instance, that will hold antibiotics in their system longer than the time written on the tube of antibiotics that you are using. That is not just my say so; Dr. Neufeld, who is a Doctor of Veterinary Medicine at the University of Manitoba, says right here just what I have told you, that they have not done enough research, that not in all times will a cow let that penicillin out of her system within the hours that is prescribed on the bottle or on the tube, or whatever.

So that producer can accidentally have antibiotics in his milk, and this bill makes it so you can actually prosecute, under that Section 21, for having that milk stored in there. He might not have it for sale, but it is stored in there.

Another case is where, if my cows are all milked this morning and it is tested and there are antibiotics in it, I don't know what cow it is from, I dump the milk. Where do I store the milk tonight? I can't stack it around in corners in the barn, I have got to put it in the tank. You can be buying cows and it can happen and you don't know it is going to happen. You can have, in fact, in this one, you could even have a malfunction in some of your automatic washing system and end up with water in there, and this allows prosecution for it. We say there is no room for prosecution in it. We say that we have control over the quality system. I can tell you that in one test that we do, I don't know how many years ago it was, it was 10 years ago or 15 years ago, there used to be 12 percent of the tests were positive where milk was not fit for consumption, and we have that down to, for some months now we are down to 1/100th of 1 percent. Most months we are

t two-tenths, one-tenth. When you go from 12 percent down to that, I think we have good control without having to get into prosecuting. I just don't see the point. I can see prosecuting on selling milk, but I don't see the point of prosecuting for storing.

In Section 8(1), 8(2), etc. they are all numbered here — the word "director" should be deleted and replaced with the word "Minister." The Minister, who is an elected representative, should remain with the authority, and this authority should not be passed over to bureaucrats. Not only the authority, I think it is the Minister's responsibility. This puts the bureaucrats in the strong position to enforce their own judgment factors without any check on them whether the factors can be detrimental to the industry or not.

As you know, we have just experienced this type of detrimental action that would have benefited no one. Leaving the authority with the Minister simply means that should any government employee wish to refuse or cancel a licence or attempt a prosecution for violation of regulations, he must first clear this with the elected official, in this case, the Minister, with whom the responsibility should lie. In other words, he should have the responsibility.

I think this is bad, when you take it from an elected representative and put it over to the bureaucrat. You are always hearing how — I'm talking nationally, not just provincially, but any government — that more and more of the government is being run by the civil servants and this is exactly what you are doing in this one.

MR. CHAIRMAN: Thank you, Mr. Rampton. Will you respond to any questions from the committee? There appearing to be none, thank you very much for your presentation on this bill.

This brings to an end the presentations on Bill No. 51. I'm sorry, is there anyone else in the gallery who wishes to make a presentation on Bill No. 61?

There being none, that brings that matter to an end.

Bill 86, page-by-page. Page 1, Clause 1(a) pass.
Committee rise.

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