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Third Session - Thirty-Fifth Legislature

of the

Legislative Assembly of Manitoba

STANDING COMMITTEE

on

AGRICULTURE

39-40 Elizabeth II

*Chairperson
Mr. Bob Rose
Constituency of Turtle Mountain*



VOL. XLI No. 1 - 10 a.m., THURSDAY, JUNE 4, 1992

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

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BARRETT, Becky	Wellington	NDP
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON AGRICULTURE

Thursday, June 4, 1992

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Bob Rose (Turtle Mountain)

ATTENDANCE - 10 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Derkach, Enns, Findlay

Messrs. Gaudry, Helwer, Laurendeau, Plohman, Rose, Sveinson, Ms. Wowchuk

APPEARING:

Jack Penner, MLA for Emerson

Don Dixon, Provincial Apriarist, Department of Agriculture

WITNESSES:

Bill 44–The Milk Prices Review Amendment Act:

James Wade, General Manager, The Manitoba Milk Producers' Marketing Board

Neil Van Ryssel, Vice-Chairperson, The Manitoba Milk Producers' Marketing Board

MATTERS UNDER DISCUSSION:

Bill 11–The Bee-Keepers Repeal Act

Bill 12–The Animal Husbandry Amendment Act

Bill 43–The Farm Income Assurance Plans Amendment Act

Bill 44–The Milk Prices Review Amendment Act

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Clerk of Committees (Ms. Bonnie Greschuk): Will the committee on Agriculture please come to order. We must proceed to elect a Chairperson. Are there any nominations?

Mr. Ben Sveinson (La Verendrye): I nominate Mr. Rose.

Madam Clerk: Mr. Rose has been nominated. Are there any other further nominations? Since there

are no other nominations, will Mr. Rose please take the Chair.

Mr. Chairperson: Will the committee on Agriculture please come to order.

The following bills will be considered today: Bill 11, The Bee-Keepers Repeal Act; Bill 12, The Animal Husbandry Amendment Act; Bill 43, The Farm Income Assurance Plans Amendment Act; Bill 44, The Milk Prices Review Amendment Act. For the committee's information, copies of all the bills being considered today are available at the back table.

It is the custom to hear briefs before consideration of the bill. What is the will of the committee? Is it agreed to hear briefs? Agreed.

We have one presenter wishing to speak to Bill 44. Is it the will of the committee to deal with that bill first? Agreed.

* (1005)

Bill 44–The Milk Prices Review Amendment Act

Mr. Chairperson: The following person is registered to speak to Bill 44, The Milk Prices Review Amendment Act: Mr. James Wade, General Manager, The Manitoba Milk Producers' Marketing Board. Should anyone else wish to appear before this committee, please advise the Committee Clerk and your name will be added to the list.

Does the committee wish to impose a time limit on the length of public presentations?

Some Honourable Members: No.

Mr. Chairperson: No time limit. Is Mr. James Wade here this morning? Mr. Wade, please come forward. Copies of your written presentation have been distributed to committee members. Would you like to proceed?

Mr. James Wade (General Manager, The Manitoba Milk Producers' Marketing Board): Yes, thank you, Mr. Chairperson. The Manitoba Milk Producers' Marketing Board is pleased to have

the opportunity to comment on Bill 44, an act to amend The Milk Prices Review Act.

The Milk Producers' Marketing Board represents approximately 936 commercial milk producers in Manitoba. The farm gate value of the milk we produce is approximately \$130 million per year. The board sells this milk to the 12 processing plants in Manitoba. Our producers generate jobs in Manitoba for feedmills, veterinarians, distributors, retailers, equipment suppliers, bulk milk haulers and related services.

Approximately 50 percent of our milk is sold for industrial products—cheese, skim milk powder, butter, ice cream and the like, and approximately 50 percent is sold to the fluid market. Manitoba dairy products are sold in several provinces and some are exported through the Canadian Dairy Commission surplus removal programs.

The price at which we sell milk to the fluid sector is governed by the mechanism established under The Milk Prices Review Act. Under that present legislation, The Milk Prices Review Commission establishes our selling price based on a formula which reflects the average cost of producing milk for use as fluid milk in Manitoba, including a reasonable return on investment to producers of milk.

Selling prices are adjusted when costs vary by at least 2 percent. The value a producer receives for his milk is based partly on volume and partly on butterfat content.

The amendments proposed in Bill 44 will provide a milk pricing system which is more responsive to consumer preferences, and the board supports these amendments.

The amendments will allow the Milk Prices Review Commission to establish a pricing system based not only on the fluid measure of milk and the butterfat content of milk, but also on the protein content of the milk and any other solid component content of the milk. This pricing system will allow producers to be more market responsive.

* (1010)

The board is contemplating a shift in its pooling and levy systems to multiple component pricing coinciding with the date of the Dairy Year, which is August 1, 1992. We would recommend that Section 9 of Bill 44 be amended so that the act comes into force on a date fixed by proclamation rather than when it receives Royal Assent. The amendments could then be proclaimed as of August 1, 1992.

This will also provide the Milk Prices Review Commission with some time between the date the bill is given Royal Assent and the date it comes into force in order to establish a pricing system which will be required under subsection 3(4) of the act when it is amended.

Secondly, Bill 44 would require the Milk Prices Review Commission to monitor the cost of production semiannually and to fix prices based on its findings. Our preference would be that the commission monitor prices from time to time rather than semiannually. Cost ingredients can change rather dramatically in our industry, in either direction, and we would submit that the commission have the ability to adjust prices to reflect current costs of production rather than costs which may be up to six months old.

Thank you for this particular opportunity, Mr. Chairperson, for commenting on Bill 44.

I might add one aside, Mr. Chairperson. It was at our request that the present wording every six months or semiannually was included in the bill and, given the amount of time we have had to rethink and ponder on the particular timing that was recommended earlier in the year, we have changed our mind and we would support that change also if you could find a place for it.

Mr. Chairperson: Thank you, Mr. Wade. Do any of the committee members have any questions of Mr. Wade?

Hon. Glen Findlay (Minister of Agriculture): Mr. Chairperson, as Mr. Wade has indicated, their first preference was semiannually, and I think the interpretation of semiannually was every six months. Now, the request is "from time to time." I have no objection to that and if the Milk Board would like it to say "from time to time," we are prepared to have the amendment. We have the amendment with us today to change it in that direction.

Semiannually in terms of the legal interpretation does not necessarily mean every six months; it means, in what I am told, twice a year, two times a year, and that puts a ceiling though on the number of times per year. "From time to time" could mean more than twice a year, I presume, in your interpretation, or it could mean zero times if there was no need to make any changes because everything was pretty static.

If I may ask Mr. Wade, is that his understanding, some of the thinking behind wanting to make the

If I may ask Mr. Wade, is that his understanding, some of the thinking behind wanting to make the appropriate amendment at this time? As I say, we are prepared to do it if that is what you would like now after having a chance to think it through.

Mr. Wade: Mr. Chairperson, we agree completely with the minister's comments. We interpret "from time to time" to mean that it could be amended as little or as few as none or as many as are necessary, considering what is happening with the costs. I think that is the intent of the bill. We perceive the semiannual to be, as the minister indicates, twice a year, and that might provide a certain restriction or impedance if you like to the deliberations of the Milk Prices Review Commission.

We recommend that this wording of "from time to time" would give them more freedom to act in an appropriate way, according to what is happening to costs.

Mr. Findlay: I think you also understand, and I think you made comment, that could mean either way, adjustments up or adjustments down, so that the producers' price more reflects actually what the costs are on an ongoing basis.

Mr. Wade: That is correct. Mr. Chairperson, we are committed, the milk producers of Manitoba are committed to an administered pricing system, and we understand and we support the concept of the price moving in any direction when the conditions require.

Mr. Findlay: With regard to your other comments on the second page of your presentation regarding your desire to start multiple component pricing on August 1 of '92, you feel you would rather have the date that these amendments come into effect fixed by proclamation rather than when it receives Royal Assent. I would have to assume Royal Assent would mean some time in late June of this year and would come into effect August 1.

If we leave it as it is and the amendment becomes law by Royal Assent, nothing changes with regard to implementation by August 1, in my mind. Administratively, you do exactly the same whether it is by proclamation or Royal Assent.

The only thing I would caution you is that if you require it by proclamation, there is one more hurdle that is kind of left in place. It might leave some uncertainty in some peoples' minds: Well, will they really proclaim it in time? If you leave it as Royal Assent you know it is in place. All you have to do is

then do the appropriate paperwork between yourselves and the processors to have it flow and occur.

* (1015)

I just say, I do not see it changing anything administratively to make that change. All you do is create another hurdle that I think may create a wee bit of uncertainty or maybe cause the processors to think, well, we will come and lobby the cabinet, they will not follow through and proclaim it. If you leave it by Royal Assent, you know you have it in place. It is over and done with as soon as it is given Royal Assent.

I just maybe ask your further comment, if you really want to have it changed or whether you have not achieved what you wanted with the existing wording of the bill.

Mr. Wade: Mr. Minister, we do not want to have any doubt that there is going to be a multiple component pricing system in effect on the 1st of August. If in your department's interpretation that date of proclamation works fine and there is no impediment to our operating our present system with the new regulations in place, we are fine. We just wanted to make sure that there was not a period of time from a date of Royal Assent to August 1. There might be confusion as to whether we can invoice properly in the old system. That was our major concern. I do not believe that is the case.

I have had a conversation with Gordon MacKenzie, and I believe that is not the case. We wanted to be absolutely clear that everything was happening on August 1. We share the minister's opinion in that we want to have an operative system without any impediment or any question of whether it is going to happen on August 1. We would support the most efficient and the least doubtful system that the minister thinks is appropriate.

Mr. Findlay: Well, I would just say that the way it is presently worded this act comes into force on the day it receives Royal Assent. It creates no more obstacles to it happening. If you change it to say, by proclamation, you do create one more hurdle in my mind and then open up the slight element of doubt in somebody's mind.

By Royal Assent, in my mind, my interpretation is it is fait accompli. Once it is passed in the Legislature, it is in force, and that gives you the clear signal that nothing can change between then and August 1.

Mr. John Plohman (Dauphin): Just on that point, perhaps, Mr. Wade, the concern is that you might feel that there is an obligation to have to do something before August 1 because that is what the law says? Is that what the problem is?

Mr. Wade: Our interpretation to now, Mr. Chairperson, was that there might be a confusion or an interpretation problem in the wording that is in Bill 44 in that a pricing system has to be sorted out by the Milk Prices Review Commission in the new bill. A pricing system does exist today and we believe that this interpretation can flow also. We believe that the minister's interpretation is an effective one.

Our attempt in our recommendation here was to bring the dates of happening, the coming into effect of our new invoicing system and the coming into effect of Bill 44 and the pricing system under fluid, to have them coincide in date.

We did not actually perceive the Royal Assent as being a kind of an impediment to the thing. If it is much clearer for the department to do it all in one swing, we will support that, Mr. Chairperson, and we will remove our recommendation under this particular paragraph.

Mr. Plohman: Just on that, as the minister said, it is at the end of June or July 1, for example, you are talking about one month, which is just time to get geared up for it. There is really no problem that I think could develop for your organization because there is that one month leeway when you are getting ready for the system. No one is going to, I think, take any action that you are not meeting the requirements of the bill if you plan on implementing August 1. I do not think there is a problem there from my point of view.

* (1020)

I wanted to ask you a couple of questions about this price-setting mechanism. At the present time it is triggered by a 2 percent increase or decrease in the cost-of-production formula for review, as I understand it. The minister is proposing, and he has discussed some options to that, to move to a semiannual approach to it, and that is deemed to be more flexible.

I was considering this and wondering whether it would not be the simplest to just put in an either/or provision that would say, semiannually or 2 percent or 1 percent or whatever the trigger might be, so that it could be reviewed if there was a dramatic swing up or down in between the semiannual review, but

only under those conditions. That would have to be triggered by say a 2 percent or whatever as it always has been, or the semiannual review.

You would have both mechanisms. To me, that would be more responsive and that is what I was suggesting in the Legislature. I do not know whether the minister's or your suggestion that it be reviewed from time to time, I do not know what the wording was you just used, I was reading when you were saying it, but some mechanism that would allow for reviewing it from time to time would be about the same type of approach, but this would have a trigger that would be set in legislation. It could not be reviewed from time to time unless it was a significant change.

Would you have difficulty with that, having it semiannual or triggered by a 2 percent change in the cost of production, or would you like to see the 2 percent changed to 1 percent or 1.5 percent, or do you just reject that kind of approach?

Mr. Wade: Mr. Chairperson, it was the desire of milk producers in Manitoba to remove the 2 percent trigger for a number of reasons. The 2 percent is a finite figure and if we are talking about 1.95 or 1.84 percent on \$50 milk, we are talking about roughly \$1 per hectolitre.

We can be up or down almost \$1 in this thinking if you use the 2-percent-trigger kind of thinking. I might point out just briefly, as a supplementary piece of information to our presentation, every dollar per hectolitre in the fluid milk price to Manitoba milk producers is \$1 million. If we are up and down just the bare or not quite the 2 percent, the pricing system can become more responsive if we remove the impediment of the 2 percent trigger, and the "from time to time" thinking gives the Milk Prices Review Commission the full breadth of 2 percent if they wish to use that or less than that if they also wish to use that.

We know that the Milk Prices Review Commission, appointed by the minister, has used their good judgment in the past in not triggering things for parts of cents at the retail price, because all of this does flow through to the retail price, so we support the removal of a 2 percent kind of thinking, Mr. Chairperson, and inserting words like "from time to time" adds additional breadth to the thing so that there is more frequent examination of the cost-of-production formula for the pricing system.

Mr. Plohman: What I was suggesting is that it would be reviewed in any event semiannually but, if there was a dramatic change in between that period, then there would need to be some trigger. Otherwise, you would have it wide open for requesting reviews monthly almost, at an extreme.

I do not know whether this is an expensive process or extensive, whether it requires a lot of monitoring, surveying and so on by the Milk Prices Review Commission before they could make a decision on this. If that is the case, it is not just a simple process of taking some figures that maybe you present and say, well, that is it, we will just change it. There is something more to it, is there?

* (1025)

Mr. Wade: Mr. Chairperson, the Milk Prices Review Commission examines the cost of production on a monthly basis. There is a monthly tracking of certain costs. There is an annual reconfirmation of costs that are not easily tracked, some of which are indexed ahead.

We are confident that the Milk Prices Review Commission, in that monthly review, will pick up the kind of changes that are necessary in the system if they are given the freedom on this "from time to time" wording. There is no additional cost to "from time to time" wording.

I should add that the Milk Prices Review Commission responds to all sectors of the milk marketing system—producers, processors, distributors, retailers and consumers—when they are contemplating price adjustments. It is not just at a request from the Milk Marketing Board, milk producers on their own.

Mr. Plohman: Mr. Chairperson, just with regard to the Milk Prices Review Commission, I understand that presently they maintain separate books of accounting, a separate bank account, and are responsible for paying their own expenditures, and they have a separate report. It is somewhat of an arm's-length operation from the department.

One of the changes that is being proposed in this bill by the minister is that they would now have their report and administration as part of the function of the department itself, and they would no longer be a separate operation in terms of administration and accounting and so on, that the audit would be done of the books and so on when the department is audited, as opposed to a separate account.

From your point of view, first of all, do you support that? Do you feel that the public interest is protected sufficiently in that type of operation, as opposed to an arm's-length kind of separate commission, I guess one could say the perception at least of an independent commission doing that kind of a review?

Mr. Wade: Personally, Mr. Chairperson, we support the bill as it stands, and certainly that streamlining of the accounting and the audit function is part of that. We support anything that the minister can find that is going to save our taxpayers money. I think this is a good step.

Mr. Plohman: Well, I will ask you to comment on the point that I made. Do not, if you would, Mr. Wade, sidestep the issue of the impartial, independent commission. You have a responsibility to the public too and for your industry to maintain its good name and of course that you are getting only what you should be getting for your product. The commission is protecting the public interests. Do you see it as that at all, the commission doing that?

Mr. Wade: Mr. Chairperson, we have no question of the impartiality of the Milk Prices Review Commission or its administrative procedures.

Mr. Plohman: Do I understand that you are making that comment based on what has happened up to now?

Mr. Wade: Yes, of course. We do not know what the future is going to bring and, of course, we will continue to work with the Milk Prices Review Commission and all of its systems to try and achieve all of the things that you have just described, Mr. Plohman.

Mr. Plohman: You do not see any difficulty with that, with the closer relationship without the independent accounting and so on of the—there may be some dollars saved here, we are not arguing with that in terms of the minister's thrust on this.

What we are talking about is the other issue, and I just wanted your comments from the industry on this as to whether you see that to be an issue that is of any cause for concern by anyone.

* (1030)

Mr. Wade: Mr. Chairperson, we do not see any problems with bringing the administrative functions together or integrating them within the Department of Agriculture. The operation of the Milk Prices

Review Commission itself will be monitored ongoing, and we see no problem with maintaining the ongoing examination of prices and so on being an independent function. It is a streamlining move as far as we are concerned, and we support it.

Mr. Plohman: Mr. Wade, what is the process when you, your organization asks for a change or review in the cost-of-production formula? What takes place exactly?

Mr. Wade: The ongoing examination of milk prices on the farm, the monthly examination is conducted by the staff of the Milk Prices Review Commission. From time to time, there are unusual events like the drought of '88 for instance. During unusual things like that, what we tend to do is, through our regular meetings with the Milk Prices Review Commission, raise whatever we see as current issues that might affect prices in one direction or another.

The Milk Prices Review Commission is a body that sits independently to examine all of the things that are happening both in the production side, processing through the distribution and at retail.

From our perspective, we report annually to the Milk Prices Review Commission a cost-of-production study which is conducted by a firm of chartered accountants from Brandon, Meyers Norris Penney. This firm was engaged five years ago to gather information on a representative sample of farms in Manitoba that would provide a database, a reliable actual database on farms in Manitoba.

That report is provided to the Milk Prices Review Commission just about at this time of the year. Actually, it will be presented within the next two weeks on the previous calendar year, so we are always a slight step out of whack, if you want. What we then do is we use this ongoing monthly examination that the Milk Prices Review Commission does to determine current feed prices, for instance, current prices of various inputs that are moving regularly, labour rates and a few other things like that.

The Milk Prices Review Commission, whenever they are contemplating an adjustment in price, notifies us in advance. We have an opportunity to sit down and discuss whatever adjustments that they are contemplating.

I guess what I am describing is an industry consultation process that the Milk Prices Review Commission has adopted where we certainly enjoy

the kind of regular contact that we are having. It is an ongoing rather than a sudden-event type of thing. However, there are events that do bring extra costs or reduce costs that we will sit down and discuss on an irregular basis as well.

Mr. Plohman: So it is an independent firm that does the monitoring of this, and you feel that that is a good system?

Mr. Wade: The database is cofunded by the department, ourselves and the Canadian Dairy Commission. The data from that database is used both in the provincial pricing system as well as in the Canadian Dairy Commission's determination of the industrial milk price, target support price for Canada.

Yes, we support that independent look at private businessmen's affairs and, quite frankly, the reports that are provided are confidential. They are anonymous; there are no names attached to them. We have had one or two looks at it from both the Canadian Dairy Commission and from the Milk Prices Review Commission in terms of an independent check if you want. They are satisfied that the data that is coming off the farm is correct, so we are supporting the continuation of that kind of process.

Mr. Plohman: Would you see this review taking place—as you say, you are recommending from time to time triggering an increase in the price of milk or a decrease, even if it is half a percent or a quarter of a percent or 1 percent, or what would you see as triggering this?

Up to this point in time, I guess it has been a 2 percent minimum, so generally the price of milk would then rise by 2 percent, reflecting that increase in cost of production. Is that the way it has been in the past? Would you see now this happening at any portion of a percent, no matter how small?

Mr. Wade: Mr. Chairperson, the "from time to time" provision gives the commission a much needed latitude in its approach to pricing. In the last few years, the 2 percent trigger, as we called it, has prevented as much as a dollar a hectolitre change. The 2 percent trigger we believe is an artificial barrier to adjustments.

The Milk Prices Review Commission—and I cannot speak for them, but we have not supported, we have not encouraged the Milk Prices Review Commission to adjust prices to milk producers that would create undue trouble in pricing the milk to the consumer. I think it is important that everyone

recognize that \$1 per hectolitre is \$1 for a hundred litres of milk. That means one cent per litre. We cannot adjust the price anything smaller than one cent per litre, if that price indeed is passed directly on to the consumer—the up or the down—so the commission has used its good judgment in making these price determinations, and we have encouraged them to continue doing that.

The "from time to time" provision does provide them with room for judgment. We have not encouraged them, nor supported that they go out and try and approach the processing sector in this province on halves of cents and those kinds of things, because it is impossible for that kind of a price decrease, for instance, to be passed on to a consumer. So, administratively, they have used a fair amount of judgment in the past, and we believe that the "from time to time" thing provides the legal framework in which they can do that.

Hon. Harry Enns (Minister of Natural Resources): Mr. Chairperson, I would like to take the opportunity of getting to know a little bit more about the board's operation. I welcome the presence of Mr. Wade here this morning and thank him for his presentation.

I do not know whether I am right on target or not, but you refer to changes to your multiple pricing system hopefully coming into effect in August. You talk on page 3 of your brief, the board is contemplating a shift in its pooling and levy systems to bring about that multiple component pricing.

The issue that I would just like to raise with Mr. Wade briefly is one I am sure the board and he are familiar with. We have a situation in the community of St. Claude where we have one of the 12 processors that you earlier referred to that you do business with that has made representations through me as their MLA that although they have ample market opportunities for full-plant production—cheese I think is one of the products that they are primarily producing—they are having difficulty in doing so for lack of product, for lack of milk.

I have some understanding that of course in the first instance your interest has to be to maximize the returns to the producers, the people that you are primarily responsible for, and so it is probably tied up in the overall quota systems that we work with and the national support policies that are applicable. Is the board cognizant of that situation in St.

Claude? Is there a difficulty in supplying that plant with sufficient industrial milk?

* (1040)

Mr. Wade: Mr. Chairperson, a point of clarification on Mr. Enns' intervention. The plant at St. Claude is a butter and skim milk powder plant. The same firm, Beatrice Foods, has a cheese plant in Grunthal. There are two separate operations. The board, in allocating milk on a daily basis to the processors in Manitoba, uses two or three different things to allocate the milk.

First is the traditional percentage that that particular processor might have had of the available industrial milk. The second is the type of product that that particular processor is intending to use the milk for. By this we mean the fresher the product, the higher the priority of the milk. I will give you an example.

If a cheese manufacturer is keen on having additional supplies of milk beyond his traditional percentage of the available industrial milk, we would have to find milk from other sources to supply that. We have—we meaning milk producers in Manitoba and across Canada—responded to the marketplace in reducing the amount of milk that is in the system in the last three years with three successive rollbacks in quota. The marketplace is smaller today than it was three years ago.

Mr. Chairperson, I do not want to make this a long answer, but producers are trying to respond to all of the market situations that are out there. We have had a number of processors in Manitoba make, not substantial, but smaller investments in new equipment and this type of thing. Of course, when a processor is investing in his processing facility, normally what they are doing is updating and getting larger equipment.

We have less milk available. The processors have larger processing capacity than even five years ago. So the discrepancy between those two is becoming a little bit tougher to manage.

We are aware of the fact that some processors in Manitoba are having difficulty in maintaining a full processing staff. We have had discussions with our processors since last October on several occasions to address the issues that are surrounding lower volumes of milk and discussing what is needed to try and maintain an industry size that is suitable to Manitoba's production base.

The reaction that we get from our processors is co-operative and, yet, there is always a problem when you get competitors sitting down in a room having people talk about what the future might be for them.

It is difficult. We are doing sort of one on one conversations with our processors now to try and get a feel for where they might be going. We are trying our best, Mr. Chairperson, to respond to the demands that are there for product. We are also having to work within a Canadian milk supply management system which provides a certain limit on the amount of milk that we can provide to them. The system is there and it is working.

I should add one more thing before I finish off. Our processors, through the National Dairy Council, supported all of the systems surrounding supply management in the recent dairy task force, and we are renewing supply management in Canada as we speak. There are meetings happening in Ottawa that are intended to bring further flexibility to the next generation of supply management as it evolves. We are aware of those problems, we are working with them and we are trying to adapt our system to accommodate the new market system.

Mr. Enns: I thank Mr. Wade for that answer and have no intention to pursue the matter further. I simply wanted, though, to have this opportunity—that we do not have a representative of the Manitoba Milk Producers' Marketing Board before us every day to make this case.

I am sure you, sir, and the board understand some of the concerns and frustrations that we, as individual MLAs, have when we see these kinds of representations. I have beside me the minister responsible for Rural Development (Mr. Derkach) in Manitoba. We are concerned about the maintenance of job opportunities, maintenance of economic activity anywhere in rural Manitoba.

It is understandable that we would be concerned when we hear stories that seem to indicate that there is a difficulty, one that is a little hard for us to understand when we have processors' companies making presentations to us.

I have been in the business long enough to know there are always two sides to a coin and that there is, particularly in this more complex and complicated situation where there are a great deal of proponents to it, not least of all, probably one of the most significant ones, the overall Canadian national

supply program with its attendant support prices that determines where product flows to some extent.

Suffice to say, and I leave it at that, I would ask as a representative of the board to take these concerns in the spirit in which they are given that we attempt to maximize both for the people that you serve, your primary milk producers, but also for the opportunities that the industry provides, particularly in rural Manitoba, in providing both employment opportunities and product, certainly extremely important to the communities such as St. Claude or Grunthal where these plants are located.

Thank you, Mr. Chairperson.

Mr. Chairperson: I would remind the committee members that we are considering Bill 44, The Milk Prices Review Amendment Act, and while we appreciate the opportunity to have someone with Mr. Wade's expertise to discuss various problems with, I would appreciate it if the committee would confine its comments to Bill 44.

Mr. Jack Penner (Emerson): Just very briefly, I of course am a great advocate and always have been of the farmers and the farm community being able to speak for themselves and promote the industry as they have done, and I want to congratulate the dairy farmers of Manitoba for having put forward a fairly strong case to me to make some changes. I also congratulate the minister for having the wisdom to bring forward the legislation that the dairy producers have asked for. I think this process that is being initiated now will serve the farming community better.

However, the question that Mr. Enns asked, with the indulgence of the Chair I would like to pursue just a wee bit. Having had the pleasure and the opportunity of being a minister of development in this province for some two years and having had significant discussions with various industries across the province, I believe there are indications by some of the processors that they might in fact be able to search out additional markets if they had a guarantee of adequate supplies to indicate to the consumers out there or the consumer market that they could in fact increase their production, given the opportunities.

I wonder whether there have been any discussions with your organization in that regard to ensure that there is—and there might in fact be discussions now nationally that would change the allocation system among the various provinces, with

all the discussions now on freeing up trade between the provinces, whether you are contemplating a greater degree of flexibility regarding Manitoba's position and production of milk especially to ensure that we might encourage the expansion of the processing industry in this province relevant to the fact that I believe that we can in fact provide a cheaper product to the marketplace in the Canadian context than some of the other provinces can. Can you tell this committee what discussions you have had nationally in that regard to encourage the expansion?

* (1050)

Mr. Wade: With your indulgence, Mr. Chairperson, again the Canadian Milk Supply Management Committee met last week. The items that were on the agenda all related to the problems that Mr. Penner and Mr. Enns have raised. We are talking about movement of quota interprovincially through a national agreement of some nature. We hope to have that plan or that process in place within the year.

We have milk being allocated for special projects to processors in various parts of the country. There are five of those projects in Manitoba that we are supporting with additional milk. New product innovation has been an item on our Manitoba board agenda, and we have a special class of milk set aside for new product innovation. We have never said no to a new product initiative on the part of one of our processors.

We also have a tremendous change that is happening in consumer buying habits. Consumers today do not buy the same amount of the straight, traditional Cheddar cheese. Consumers are buying enormous amounts of mozzarella cheese, for instance, and we are providing a higher priority for mozzarella cheese in our milk allocation program, both in the national thinking that we have had and also here in Manitoba.

We have provided in addition to that—nationally there are some adjustments happening because of the Free Trade Agreement and pressures from across the border. Ingredient pricing in the United States is substantially different than it is in Canada. So milk producers in Canada have subsidized ingredients to further processors, and I refer specifically to mozzarella cheese topping for frozen-pizza manufacturers in Canada who wish to compete in the United States, specifically Cheddar

cheese powders that are used in macaroni-and-cheese-type dinners for marketing into the United States. So we are responding as quickly as we can.

Quite frankly, in an agricultural context, it is extremely difficult to react as fast as the consumer is, but we are doing our best. The consumer consumption of butterfat in Canada this year is between 4 and 5 percent lower than it was a year ago. For milk producers in Canada to go through another rollback of quota on August 1 is going to be extremely difficult.

At the same time, butter consumption, despite all of our efforts in the area of promotion and advertising on television and radio, in Canada this year is estimated by this year end to be down—this is consumption, it is not production from processors—butter consumption is going to be down between 7 and 9 percent.

So the real impact that that has on what processors can sell and what producers have to offer processors to make into the products that are necessary has to respond to all of the realities of the marketplace. We believe that a multiple component pricing system is going to give us the tools that we need to respond in the area of changing values, for instance away from fat onto other things.

We are very, very concerned about the industry size in this country. We know from looking at the European experiences that when changes of this magnitude are happening that you first see effects in regions and then overall as a secondary thing. We are even seeing it in individual products right now.

We responded at the supply management committee meeting to bring in a brand new program that producers will support in the area of evaporated milk production, because there are times, there are seasons of the year when there is not enough milk available to make the evaporated milk for this country because of where we are in terms of the overall milk allocation in this country, the size of the quota.

We are very near on another—just the last piece of this whole discussion, Mr. Chairperson—we are very near, as a country, moving from a butterfat-based industry to a solids nonfat-based industry. The industry is about to flip over to a growth industry. That is the positive side of what is happening in the marketplace. Butterfat

consumption is now at the point where it is almost in equilibrium with the solids nonfat or the skim milk powder requirements for Canada. When we get into that side, and we believe it is going to happen within the next 12 months, we will have an opportunity as producers and processors in Canada to expand our businesses again.

We are looking forward to that. It has been a rough three, four, five years now. It is nice to see that we have some optimism about what is happening in the whole area of the industrial product market. We are very aware of what that does to rural Manitoba communities. We are very, very aware of what is happening on the farm-separated cream side of our industry, which does not relate to milk directly, but it is dairy production in Manitoba, and a very important part of dairy production in Manitoba.

We take it very seriously because 17 percent of Manitoba's national quota is actually allocated to cream producers. So we are meeting regularly with cream producers and cream processors to try and work through all of this change that is happening in their market, which is largely sold into butter. You can imagine what is happening to their business if in the last three years their whole market, butter manufacturers' markets, have dropped nearly 20 percent. There is a tremendous adjustment going on in that side of the industry or in that aspect of our industry that we are trying to work with.

We believe that these kinds of changes can only result in rationalization, can only result in a fundamental change and maybe even a permanent change in our dairy industry in Manitoba. We do not have any crystal ball that is very clear on this, but we are trying to work with that whole side of the industry to try and guide it somewhat.

Mr. Chairperson, that is a long explanation about where we are going and the sensitivity that our board has to the issues raised by the members.

I should note that Mr. Neil Van Ryssel from Oakbank is with me this morning. Mr. Van Ryssel is Vice-Chairperson of The Manitoba Milk Producers' Marketing Board. He has heard your comments and your concerns and they will be discussed for sure at our next board meeting next week.

Mr. Chairperson: Thank you, Mr. Wade. I appreciate your willingness to respond and

comment. Again, I remind the committee members that we are considering Bill 44.

Mr. Penner: In regard to the new pricing formula that Bill 44 is discussing, what degree of comfort can we as Manitobans, consumers as well as producers, derive from the fact that during your discussions, nationally now, we will develop quota allocation, a provincial quota allocation through the supply management system, that will be more cost-of-production oriented than what we currently have?

In other words, when the quota allocations are made and when the indications are what Manitoba's portion will be, will there be a greater degree of cost-of-production evaluation taken into consideration when quota allocations are made nationally?

Mr. Wade: Mr. Chairperson, the cost-of-production formula nationally is tied to standard milk. Manitoba milk is different, as is Quebec or Ontario or New Brunswick or Nova Scotia milk. We believe that the systems that are being contemplated through multiple component pricing will permit an equitable treatment of all provinces. Manitoba representatives at the supply management committee will ensure that.

Mr. Penner: Will that give Manitoba producers probably a larger part of the national quota?

Mr. Wade: I believe it is too early to determine that.

* (1100)

Mr. Chairperson: Did Mr. Van Ryssel have a comment to make?

Mr. Neil Van Ryssel (Vice-Chairperson, The Manitoba Milk Producers' Marketing Board): Yes, thank you, Mr. Chairperson, if we are going to digress, it would almost certainly be worth an opportunity on our behalf to apologize for not explaining the system well enough to our decision makers. From the comments that are being made now, there are fundamental issues that I see are not fully understood and, if there is a problem with our system, it is so complex, and we certainly apologize for that.

The fundamental issue I think that we have to understand is that milk allocation within the province is, firstly, fluid, and is a provincial jurisdiction. All of the industrial products move freely across this country. If they are made in B.C. or Quebec, they move freely. Probably every processor in this

province is geared up for more capacity, as are the farms. There has not been the rationalization in the processing as we have seen in the number of farms.

Producer numbers have dropped substantially. Basically, we have the same number of processors, with more capacity. That is why comments from the Honourable Mr. Enns, with processors that have far more capacity, are quite common. We have not seen any rationalization.

I think when we move to a regional pool, and there are discussions just being undertaken presently to move to a western pool and also discussions underway that will move to an Atlantic pool and eventually to a national pool, then we will have that rationalization in the processing industry.

The other issue that Mr. Wade alluded to was, our quotas were set on the national requirement for butterfat until now, and we are quickly moving to the position where we are going to be able to set quotas on solids, not fat. Then our quota rollbacks will be behind us hopefully and the shrinking of the industry will hopefully be a memory. Thank you very much.

Mr. Chairperson: Thank you, Mr. Van Ryssel, for those comments. Do any of the committee members have any further questions of Mr. Wade?

Mr. Plohman: Yes, a brief comment in conclusion here from our point of view, Mr. Chairperson—there are many issues that could be discussed here. I just want to briefly say for the record that we support the multiple component pricing that is being proposed, the change here to meet changing consumer demands to ensure that the industry continues to grow and the overall health is maintained and the efforts that you are making in the area.

We support cost-of-production pricing. That certainly does not even have to be said I guess from our side, but I want it said for the record. We wish it would apply to GRIP and all produce.

We support marketing boards and supply management clearly and what it means for our rural economy. We could explore with you all of the issues dealing with supply management and the kinds of things that relate to GATT and so on, but we do not think that this is the place for it in the context of this bill because it is not directly related; otherwise we would. We certainly will use other opportunities to do that.

I just want to thank you for your comments and your input here today.

Mr. Findlay: I would just like to thank Mr. Wade and Mr. Van Ryssel for appearing today and giving informed comments on the bill and sort of showing or telling the committee members something about how the pricing system works and the fact that you are satisfied with the degree of consultation that exists with yourselves and all the other players in the industry and that through that process of consultation, informed decisions can be made, and you would like to see the flexibility in the pricing process, and that is what is in the bill. I thank you for your comments.

I would also like to thank you for indulging in the prolonged discussion that occurred about the industry in general. Although it may not have been totally appropriate under the bill, I think it is appropriate that people get an opportunity to speak with people like yourselves who are involved in the difficult management of an industry that has faced tremendous change and is in the process of even more change, as you say, wanting more flexibility in the way quotas are allocated, particularly industrial quotas, across the country and trying to create an industry that gets back into a growth phase instead of a retracting phase that has been in place for some time.

There is a tremendous list of issues that we have had an ongoing discussion on, and I think the committee members see the kind of support and responsible management that I have to deal with on an ongoing basis with this industry.

I congratulate the Milk Board and Jim and Neil for coming forward today and getting involved in this discussion. It has been enlightening in many respects for many committee members to get an understanding of your industry in a little broader sense, and I thank you and appreciate your attendance here today.

Mr. Chairperson: Do you wish to make a comment, Mr. Wade?

Mr. Wade: Yes, Mr. Chairperson. If there would be an opportunity at another time to look at some of the detail, we would certainly make ourselves available. I can make that commitment very easily on behalf of our executive. We would attend a meeting just to discuss some of the issues in greater detail if you desire, and we certainly thank you for this opportunity this morning.

Mr. Findlay: I certainly thank Jim for that offer, because I think, given the nature of questions, I

guess we get wrapped up, we kind of know what is going on, and I know other members of the Legislature maybe do not have that opportunity. We will discuss creating an opportunity to do that because of the change the industry is involved in at this point of time.

Mr. Chairperson: I would like to thank Mr. Wade for his presentation this morning. The committee is considering Bill 44. Does the minister responsible have an opening statement?

Mr. Findlay: No.

Mr. Chairperson: Does the critic of the official opposition have an opening statement on Bill 44? I think we agreed to begin with to consider Bill 44.

Mr. Plohman: I do not know if we have to, but I thought we had agreed to hear presentations, and then we would go back in numerical order, but I do not have a problem with how you want to handle it.

Mr. Chairperson: Did you wish to make an opening statement on Bill 44?

Mr. Plohman: Well, just generally, Mr. Chairperson. We have general support, as I indicated, for a number of the issues that are addressed in this bill. The issues dealing with a more sensitive approach to cost-of-production pricing is something that we support, although I would like to see some perhaps thresholds that would determine if it was going to be more often than semiannually.

I would like to get the minister's comments on that as we deal with that issue. Perhaps he can answer general questions at this time before we get into it clause by clause as to whether he sees that to be any problem whatsoever in terms of deviating from what is being proposed in the bill, which is to go to a "from time to time" approach to this review as opposed to semiannually or triggered by a major change, which is what we are proposing.

Mr. Findlay: Well, I indicated in response to Mr. Wade that we are prepared to have the amendment in front of me to move from semiannual to "from time to time."

I also would like to remind the member that the reason that "semiannual" is in there is that the board had initially requested it. As the member heard Mr. Wade say, in terms of further reflection and considering what semiannual meant, they thought that our recommendation had been "from time to time," and they want to go to that one now and we

are very obliging in terms of being prepared to make that amendment, because it does meet the needs in a more flexible manner, and that is what everybody is looking for, flexibility that allows appropriate consultation to lead to the right conclusions.

* (1110)

Mr. Plohman: Mr. Chairperson, with regard to the other issues in the bill, with the multiple component pricing, we are certainly in support of that. Insofar as the separate reports and perhaps some of the autonomy of the commission, I would like to get the minister's response as to whether he sees any reduction in the operating autonomy of the board as separate from the industry from the public's point of view as a result of the change in the reporting and accounting procedures that would take place.

Mr. Findlay: No, in terms of the operation of the commission, I do not see any reduction in autonomy. One other amendment that we are making here to deal with no longer requiring the commission to need an Order-in-Council to put out information orders again creates more autonomy for them rather than having to go through the minister's office for an Order-in-Council.

So in the one sense we are increasing the autonomy in terms of the administrative streamlining that we are doing. I do not see it as reducing autonomy of the board or the commission. I am sorry.

Mr. Plohman: I understand, Mr. Chairperson, that that requirement for Order-in-Council was really quite a perfunctory kind of function in the past and really does not seem to be needed.

Mr. Chairperson: Does the critic for the second opposition have an opening statement?

Mr. Nell Gaudry (St. Boniface): That is fine.

Mr. Chairperson: Since there are very few clauses in this bill, does the committee agree to consider it clause by clause? It is agreed.

During the consideration of a bill, the Title and the Preamble are postponed until all other clauses have been considered in their proper order by the committee.

Bill 44, beginning then with Clause 1-pass; Clause 2-pass.

Clause 3.

Mr. Findlay: Just a minute now. If I want to make an amendment here on Section 3(3), do I do it at this time?

Mr. Chairperson: Considering then Clause 3(3).

Mr. Findlay: Mr. Chairperson, I would like to move THAT the proposed subsection 3(3), as set out in subsection 4(1) of the Bill, be amended by striking out "on a semi-annual basis," and substituting "from time to time".

[French version]

Il est proposé que la paragraphe 3(3), figurant au paragraphe 4(1) du projet de loi, soit amendé par substitution, à "Tous les six mois, là", de "La".

Motion presented.

Mr. Plohman: Just to question this—as I indicated, we preferred the semiannual plus the threshold. Did the commission make that recommendation to the minister prior? Do they feel comfortable with this kind of a process, or is this something that the department and the minister have agreed to?

Mr. Findlay: In terms of discussing how we had set the bill up, the department had two different recommendations, both of which we are talking about now. The commission has looked at them, and it would appear at this time the commission is in favour of the "from time to time" as being the most appropriate and most workable approach and giving them the flexibility they think is necessary. I am pleased to see that the Milk Board also agrees with that, but the commission, as our understanding is, favours the "from time to time."

Mr. Plohman: So this change, which we would not have had an opportunity to discuss with the commission at all from the opposition because it has just come forward, is something that has been run by the commission, and it is the minister's view, he said, it appears that they are. So I would say there is not a very definitive statement on the minister's part for their position on this.

Mr. Findlay: Well, to the best of our knowledge, they have come around from the "semiannual" to the "from time to time" approach, the same as the Milk Board has done.

Mr. Chairperson: Shall the amendment pass—pass; Clause 4, as amended—pass; Clause 5—pass; Clause 6—pass; Clause 7—pass; Clause 8—pass; Clause 9—pass; Preamble—pass; Title—pass. Bill, as amended, be reported.

That completes Bill 44.

Bill 11—The Bee-Keepers Repeal Act

Mr. Chairperson: Moving then to Bill 11, The Bee-Keepers Repeal Act, does the minister responsible have an opening statement?

Hon. Glen Findlay (Minister of Agriculture): No.

Mr. Chairperson: Does the official opposition have an opening statement?

Mr. John Plohman (Dauphin): We made our comments, Mr. Chairperson, during the second reading on this bill. The minister has assured us that the beekeepers themselves had requested this change. He did not know whether there would be any savings in terms of dollars as a result of this change when I asked the minister in the House on it. Perhaps he can shed some light there.

The only other possible impact that we were able to determine was that very small beekeeper operations might not have the same kind of input or representation as they would have under the previous act. That concern was expressed, and maybe the minister can just reflect briefly on that. Other than that, we have no difficulty if the minister feels that the producers do not have any difficulty with it.

Mr. Findlay: With regard to the question on savings of cost, there will be small savings, because obviously there will be less requirement for producers to be involved in two boards or two functions. So there is a small saving for producers there.

With regard to the small beekeepers—

Mr. Plohman: Hobbyists.

Mr. Findlay: —the hobbyists, right, those generally are under 50 hives, kind of the cut-off point for hobbyists versus professional or semiprofessional. The board is prepared to allow for voluntary membership of those under 50 hives so that they can participate if they want and also allowing regional beekeepers' associations to have input, at least advisory input, to the board.

* (1120)

Mr. Plohman: Well, that is positive in terms of voluntary membership. Would this be the association yet? Since the Manitoba Honey Marketing Board is now the governing body, are they still going to have an association called the Bee-Keepers' Association? Is that the voluntary

membership the minister is talking about? Does that mean, no fees attached, just affiliation?

Mr. Findlay: Mr. Chairperson, the member is talking about fees. There will be no fees required on voluntary membership.

Our understanding is that although we will be setting up a Manitoba Honey Marketing Board, it would be their intention to change their name to Bee-Keepers' Association, because that is a title they prefer to operate under, but there will be one legal operation.

Mr. Plohman: So the Bee-Keepers' Association, all of its assets will be transferred to the Manitoba Honey Marketing Board. They will continue to exist as an association. All beekeepers are eligible to have membership including those under 50 hives, in other words, on a voluntary basis, these people without a cost to them, so they would have input. That is what we were dealing with in terms of their voice being lost as a result of this change.

Mr. Chairperson, if the minister does not mind, in this format in bills, the staff could speak right on the record. It has been done in every bill. It is not like in the committee for Estimates. So if the gentlemen would like to just address his position.

Mr. Chairperson: Mr. Minister, would you like to introduce your staff?

Mr. Findlay: Yes, Mr. Don Dixon and Mr. Gordon MacKenzie are with me today. Don just commented in general because he is deeply involved with the honey industry.

Mr. Don Dixon (Provincial Aplarist, Department of Agriculture): Mr. Chairperson, regarding the question of fees for the voluntary membership of beekeepers with less than 50 honeybee colonies, although a fee will be set for the membership of those individuals, it will not be mandatory. That is, their membership will be voluntary. Therefore, if an individual beekeeper was not interested in joining who had less than 50 colonies, then that would be optional. If he did wish to join, then the association would establish some fee to allow for that.

Mr. Plohman: The fee is mandatory if you want to join, but it is not mandatory that you join? Is it a prohibitive fee? It would not have been set yet, but does Mr. Dixon have any idea what we are talking about here, a certain cost per hive, like \$1 per hive or something like that, or is it something greater than that?

Mr. Dixon: As you said, the fee has not been set yet, but I would expect that it has been discussed and it would probably be in the order of around \$25 or \$30 per year to cover costs of publications and newsletters and communications, et cetera.

Mr. Chairperson: Clause 1 pass-pass; Clause 2-pass; Clause 3-pass; Preamble-pass; Title-pass. Bill be reported.

That completes Bill 11.

BILL 12—The Animal Husbandry Amendment Act

Mr. Chairperson: We will now consider Bill 12, The Animal Husbandry Amendment Act. Does the minister have an opening statement?

Hon. Glen Findlay (Minister of Agriculture): None other than the fact that technically these are housekeeping measures and, since the Semen Distribution Centre has been sold to Western Breeders, these amendments make the act consistent with the fact that we no longer have a Semen Distribution Centre.

It also raises fines under the act about two and a half times what they were, which is more consistent with where they should be today.

Mr. Chairperson: Does the critic for the official opposition have an opening statement?

Mr. John Plohman (Dauphin): Yes, Mr. Chairperson, on this act, I have indicated to the minister that we were opposed to the privatization of a number of functions, this being only one of them, the Semen Centre. There were three other functions: the Drug Distribution Centre, the Soils Lab, and the Feed Analysis Lab, by the minister last year.

He is now giving effect to what he did and we opposed what he did at that time. So we oppose those sections of the bill at this time, realizing of course that the minister has already taken the action, but we will register our protest for that action in terms of opposing all sections of the bill except those dealing with the penalties, which we have no problems with in terms of the penalty section.

Mr. Chairperson: Does the critic of the second opposition have an opening statement?

Mr. Neil Gaudry (St. Boniface): No.

Mr. Chairperson: Shall Clause 1 pass?

Mr. Plohman: I am opposing it. You said it should pass; I said no.

Mr. Chairperson: I thought you wanted to comment on it.

Shall Clause 1 pass? All those in favour of Clause 1 passing, please say yea.

Some Honourable Members: Yea.

Mr. Chairperson: Those opposed, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Yeas have it. Clause 1 is accordingly passed.

Shall Clause 2 pass? All those in favour, say yea.

Some Honourable Members: Yea.

Mr. Chairperson: Those opposed, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Yeas have it. Clause 2 is accordingly passed.

Shall Clause 3 pass? All those in favour, say yea.

Some Honourable Members: Yea.

Mr. Chairperson: Opposed, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Yeas have it. Clause 3 is accordingly passed.

Shall Clause 4 pass? All those in favour, say yea.

Some Honourable Members: Yea.

Mr. Chairperson: Those opposed, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Yeas have it. Clause 4 is accordingly passed.

Shall Clause 5 pass? All those in favour, say yea.

Some Honourable Members: Yea.

Mr. Chairperson: Opposed, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Yeas have it. Clause 5 is accordingly passed.

Shall Clause 6 pass? All those in favour, say yea.

Some Honourable Members: Yea.

Mr. Chairperson: All those opposed, say nay. Clause 6 is passed unanimously.

Clause 7-pass; Clause 8-pass; Preamble-pass. Shall the Title be passed? All those in favour of the Title being—

Point of Order

Mr. Plohman: Mr. Chairperson, you started one procedure which was to go through the bill clause by clause and ask for those in favour and those against, but then you abandoned that after I did not say nay to the sections that I had indicated I supported. So you never gave me the opportunity to say nay on the other sections. So I want that registered that we are opposed to those sections, and I think on a point of order that is a legitimate point of order.

Mr. Chairperson: I am sure that has been recorded now in Hansard, and your opposition to those clauses has been recorded.

Mr. Chairperson: Shall the Title of the bill pass? All those in favour, say yea.

Some Honourable Members: Yea.

Mr. Chairperson: All those opposed, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Yeas have it, and the Title is accordingly passed. Bill be reported.

That completes consideration of Bill 12.

* (1130)

BILL 43—The Farm Income Assurance Plans Amendment Act

Mr. Chairperson: We will now consider Bill 43, The Farm Income Assurance Plans Amendment Act. Does the minister have an opening statement?

Hon. Glen Findlay (Minister of Agriculture): Mr. Chairperson, the amendments we are making here are deemed to be necessary to be sure that the payment of advanced monies under GRIP do not encounter any difficulty in the future.

The first advance payment was made in November of 1991, but the decision to do that occurred approximately September of 1991. About that time opinion was generated that we better in the future make the appropriate amendments here to be sure that there are no obstacles to continuing to put advanced payments out under GRIP. That is why we are making these amendments or proposing these amendments to The Farm Income Assurance Plans Act.

Mr. John Plohman (Dauphin): Mr. Chairperson, I have some questions to the minister on this. First

of all, what mechanism has been used for the initial payment, and why did the Minister of Finance (Mr. Manness) feel—and his department officials—does this minister have any background on why they felt it was not appropriate?

Secondly, I understand there is going to be a separate account set up. Is this going to be called the GRIP account, or is it going to be a more general account that could also be used to receive monies for other programs or functions?

Mr. Findlay: I just want to inform the member that the Department of Finance indicated to us back in August of 1991 that they felt it was reasonable to make the advances last year under Section 15 of The Crop Insurance Act that could be utilized for that authority, but they did advise that in the longer term it would be preferable to provide the advance authority under The Farm Income Assurance Plans Act, which is what we are doing today. Then further comment from legal counsel, Crown counsel, in December of '91 indicated that legislative authority should be put in place through this amendment that we are proposing here today for future advances to be paid under GRIP.

Mr. Plohman: So the account that will be set up will be for GRIP only. Is there any maximum in terms of the number of dollars that can be in this account at any one time? Am I correct that it is only for GRIP and, secondly, what would be the maximum amount, if any, that would be allowed under this authority? There is no maximum in the legislation, so I have to ask what the intent is.

Mr. Findlay: With regard to GRIP, GRIP consists of a combination of crop insurance plus revenue insurance within the Crop Insurance Corporation. There is a crop insurance account and a revenue insurance account. These are two separate accounts. There is no cap in place with regard to the authority that could be granted under this in dollars.

Mr. Plohman: Mr. Chairperson, is that, to the minister, consistent with the crop insurance account, as well, that that is just open-ended?

Mr. Findlay: In terms of the amount that could be paid out, yes, it is open-ended. It is consistent with the contracts that are in place. The maximum actually listed is a total of the contracts that are in place.

Just for instance, for this year, the total potential liability covered under revenue insurance is \$990

million. It is a rather substantive potential total liability. That would be the cap, the actual insurance that is in place, would be my interpretation.

Mr. Plohman: This is not in any way empowering the government to do anything with regard to borrowing or any of that nature, it is just a matter of where they appropriate the money, where the money is placed for payment.

Mr. Findlay: Just authorization to be able to make the payment without potential challenge from somebody that we did not have the authority. We are trying to create a clear path of authority to be able to make the advance payments in revenue and insurance contracts.

Mr. Plohman: Does the minister have any examples of any other special accounts that are set up for this purpose in his department? How about any programs that may be made under MACC? Is there a separate account set up for, say, an interest subsidy?

Mr. Findlay: There are separate lines in terms of the accounting from MACC under the various programs. We budget for young farmers a 4 percent interest rate reduction. There is a separate line that is used and we budget a certain amount. At the end of the year, that line is either over or under by whatever amount of actual activity. So we have separate lines in the budgeted sense, the same as we do here. We have a separate proposed budget requirement for revenue insurance and crop insurance.

Mr. Plohman: Mr. Chairperson, this deals with advances only. Why are we talking about advances only? The fund is going to incur and has incurred a liability, an unfunded liability probably right now. You could pay those premiums for who knows how long. The fund was meant to be set up actuarially sound on balance, I guess, over a 10- or 15-year period. I do not know if that will ever happen.

We were talking the other year about the bean tripartite, for example, which will never be actuarially sound, probably. It is very unlikely. So in this case then, are we talking about the liability that builds up as well that this account is for, or is this just for advances? I do not understand why it is just advances, because then the total payments also have to be made out of here, or are they made from somewhere else?

Mr. Findlay: My understanding is that we have all the legal authority we need in order to make the

payment under the program at the end. We had some concern about the authority to make advances, and this is only to do with advances under revenue insurance.

Actually, in crop insurance, the way it works is, a person puts in a claim, so there is not an interim payment there. There is just a payment that is determined through assessment of his claim. With revenue insurance, the same could be done and the payment occurs at the end of the contract or the contract year or the crop year or however you want to say it.

We deemed it appropriate last fall, because there was an obvious large amount of money that the farmers were owed under the insurance plan, that an interim payment be made so that cash flow would be created at a time when it was needed. We had the authority, we felt, under Section 15 of The Crop Insurance Act.

Our legal advice is that under The Farm Income Assurance Plans Act we should create the authority so there is a clear line of authority to be able to do these advances under revenue insurance in the future.

Mr. Plohman: Mr. Chairperson, there would be no limit to the size of the advance. Does it have to be a certain percentage of the total payout? Since there is no dollar limit, if we look at Western Grain, they paid out too much initially and now have to go

back to the farmers to get it back again. Conceivably that could happen here too if the advance was too large.

Mr. Findlay: What the advance will be is recommended by the signatories committee. Last year, their recommendation was the advance be 75 percent, but that the first interim advance be 35 percent. So that was done nation-wide and that is where the so-called cap on interim payment was authorized.

In addition to that, they had said that anytime a probable payout in a crop—I cannot remember what the guideline was—they allowed the interim payment to be 50 percent instead of 35 percent, so that is where the caps are negotiated or considered each year. The same will happen for the 1992 crop year. The recommendation as to what the cap on either the first interim or second interim will be, they will establish that through their monthly signatories committee meetings.

Mr. Chairperson: Clause 1—pass; Clause 2—pass; Clause 3—pass; Preamble—pass; Title—pass. Bill be reported.

I thank the committee very much. That completes the business before the committee this morning.

Committee rise.

COMMITTEE ROSE AT: 11:40 a.m.