

THE LEGISLATIVE ASSEMBLY OF MANITOBA
8 p.m., Tuesday, March 2nd, 1976

SUPPLY - AGRICULTURE

MR. CHAIRMAN: When we adjourned or broke off for Private Members' Hour we were on Resolution No. 12 (a)(1) - Regional Division: Salaries, \$482,100--pass. Other Expenditures, \$334,000--pass. Animal Industry Branch (b)(1) - Salaries \$788,000. The Honourable Member for Rock Lake.

MR. ENARSON: Mr. Chairman, I think under this item where we have livestock production the Minister gave us a report yesterday and the report of the enquiry into the livestock marketing in Manitoba which was dealt by the Manitoba Livestock and Meat Commission. This is quite an extensive document, Mr. Chairman. It's a document that concerns, I think, not only the farmers of the Province of Manitoba but also concerns the consuming public of the Province of Manitoba. I would just like to know, Mr. Chairman, whether the Minister could give us some analysis of this report, probably give us some outline as to what his opinions are, and I'm sure that he has a great deal more information and knows more about this than those of us on this side of the House because we have not had sufficient time to peruse it.

So, Mr. Chairman, I would appreciate it if the Minister could give us some comments as to his analysis of this enquiry.

MR. CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: Mr. Chairman, I'm sure the Member for Rock Lake would not want the government to take an irresponsible position with respect to the report and the application of government policy based on the findings of that commission. I think that the position of the government as outlined yesterday is the proper one, and that is, that we will have to take cognizance of the contents of that report and to engage in discussions with those people in the industry that are affected one way or the other, whether it be the producers or the processors, retailers or consumers. So that I see that report as a basis for very intensive discussion on each of the recommendations mentioned in the report, and that is the way we intend to proceed.

MR. CHAIRMAN: The Honourable Member for Morris.

MR. JORGENSEN: Mr. Chairman, if I understand the Minister correctly what he is saying essentially is that he intends to conduct hearings, or that he intends to poll or question the groups and the industries that are particularly concerned in this report to find out what they believe or what they think before implementing any portion of this report. I'm talking about the packers; I'm talking about the Cattlemen's Association; I'm talking about the Producer Associations themselves; I'm talking about the retailers; I'm talking about all groups that are mentioned in the contents of this report. It is my understanding that as a result of the reply to the question from the Member for Rock Lake that he intends to hold hearings, or he intends to seek the opinions and the views of those people who will be concerned and who will be involved in the implementation of the recommendations of this report.

MR. CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: Yes, I think Mr. Chairman, it would be accurate to say that our position is one of wanting to get feedback from those particular groups that have a concern or an interest before we implement any portion of that report.

Now that doesn't mean that it will be in the form of hearings which I believe the terminology itself would indicate a legal position. But certainly there will be consultations and discussions in order that we are apprised of all of the opinions of those groups that are going to be affected one way or the other.

MR. CHAIRMAN: The Honourable Member for Roblin.

MR. McKENZIE: Mr. Chairman, I have a couple of questions on the preface of the report and Dr. Wood and Mrs. Pruden and Mr. Usick. I'm wondering if the Minister can give us any background on these people of why they were selected and is the reasoning behind, because I'm already getting all kinds of questions that they are not familiar with who these people are, and if he'd be kind enough to give me some background, I'd be most grateful.

MR. CHAIRMAN: The Honourable Minister of Agriculture.

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MR. USKIW: I'm sure, Mr. Chairman, that the Member for Roblin is certainly familiar with at least two of the three, namely, the Chairman of the Commission, Dr. Wood. He's been in the public service of Manitoba for many many decades, and who has done similar studies for the previous government in Manitoba, so that he's not a newcomer in this field.

The second person, of course, is well known to most Manitobans, and I would be surprised if the Member for Roblin would allege that he did not know Mr. Usick who has quite a history in terms of agricultural involvement in this province. So that I don't think there's any reason to try to outline beyond that his qualifications or area of expertise.

With respect to the third person we have, I believe the lady is a school teacher who has a consumer interest, and that was her function, or at least part of her function, to bring balance to the board. But in any event I think the membership of that commission was sound.

MR. CHAIRMAN: The Honourable Member for Rock Lake.

MR. EINARSON: Well then, Mr. Chairman, in view of the answers that the Minister has given, when does he intend to proceed with his investigations in regard to all the groups that are involved in this report? I mean, are we going to have some information back before this session ends or are we going to have to wait for another year, or are we going to have to wait for another three years, such as it took to compile this report? I'm just wondering about that, Mr. Chairman.

MR. CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: Well again the member's arithmetic is a wee bit out, Mr. Chairman. I believe it's less than a year and a half when the commission was launched, so that it's a far cry from three years.

But I would think that we wouldn't want to work too hastily in this regard as far as the implementation of the recommendations, any or all of them, because they are wide-ranging recommendations. Certainly the impact if they were to be implemented would be significant in some areas, and therefore we have to be very judicious as to how we approach the question of the recommendations and their implementation, and the degree of implementation. I think every grouping should have an opportunity to persuade government as to their particular viewpoint on those recommendations. I suspect that that will take several months. I would suspect that.

MR. EINARSON: Well, Mr. Chairman, then I'll stand to be corrected. I guess I said three years for the time, but the Minister says a year and a half.

I'm wondering, could the Minister indicate, does he recall, what were the reasons for him setting up this Commission of Enquiry to investigate all aspects of the meat industry in the Province of Manitoba.

MR. USKIW: Mr. Chairman, I think if the member reads the report he will have an answer to that question.

MR. CHAIRMAN: Resolution 12(a)(1)--pass. The Honourable Member for Birtle-Russell.

MR. GRAHAM: Before we leave the Animal Industry Branch, in here I think we have to assume that the words in italics under Livestock Production dealing with the "increase output of livestock and livestock products to meet domestic and export markets," and it includes regulatory services and management advice. Can the Minister indicate, or give us some indication of what he sees for the Province of Manitoba with regard to livestock production, in particular in the field of beef cattle? Does he forecast an increase in output, or does he recommend an increase in output, and if so, how much, or what does he see for the livestock industry in Manitoba? I think it would be most appropriate at this time if he could give us the benefit of his wisdom in this particular field.

MR. CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: Mr. Chairman, I think it's obvious that had the Province of Manitoba not entered into an Income Stabilization Program that we probably would have witnessed a fairly rapid decline in cattle numbers in this province, as has been the case in previous times when the price cycle bottomed out. I would anticipate because

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(MR. USKIW cont'd)of the program that we will have perhaps the status quo position maintained, or a very slight decline in cattle numbers. There still may be a decline to the extent that the program does not cover 100 percent of our production, but hopefully we don't slip back too far as we did in previous periods. As I mentioned the other day, we are just about back where we were 10 years ago or, well a little beyond where we were 10 years ago in terms of cattle numbers in this province, so we haven't really changed our industry in terms of the volume of production very much in the 10 year period, about one percent per year, so I would hope that we don't back slide too dramatically, and I rest that hope on the fact that we have income stabilization in place for a good number of producers in this province.

MR. GRAHAM: Thank you, Mr. Chairman. Well in light of that, is the Minister then encouraging any significant increase in the beef cattle production in the province or is he quite satisfied with a sort of status quo at this particular time?

MR. USKIW: Well the Member for Birtle Russell would like me to give him some advice and I think he knows the industry well enough, and there is the argument that when the market is down that's the time to get in, and of course that is everybody's management decision. He will observe that the province did not provide for any particular incentive to get into livestock production this year, nor have we for the last year or so, so that there is no direction as far as the estimates are concerned, other than that we have a Beef Income Assurance Program. That is the only area of encouragement that you will find in the estimates, but no particular grants related to expansion of breeding stock, or whatever. So I have to rest my case on the individual decisions of the farmers themselves as to how they want to play market, whether they get involved in the countercyclical exercise or not; that is something that many people are quite expert at, but I'm not going to be in a position to tell them to do so or not to do so.

MR. GRAHAM: Mr. Chairman, then in the field of dairy production in the Province of Manitoba, and I was just watching T.V. at the supper hour tonight where they were showing huge surpluses of skim milk. Is the Minister recommending any significant increase in dairy production in the Province of Manitoba, and if he is, where does he suggest that we obtain markets for it?

MR. USKIW: Again I think I answered that question on the item 10, resolution 10. You will notice on that particular appropriation a reduction of farm loan incentives, and in answer to a question from one of the gentlemen opposite I had indicated that we have withdrawn all of the incentives from livestock production, and in particular this had to do with milk, because the province withdrew from the incentive program with respect to beef over a year ago, a year and a half ago, but retained the incentive for milk production pursuant to our market share agreement with the Canadian Dairy Commission for additional milk production. Now that the Government of Canada has revised its thinking, as of a few weeks ago, with respect to how much of that market share agreement they are going to honour, well we expected this for some time, through discussions with the federal people, that we have not put in place for the next fiscal year any moneys that would provide an incentive for greater numbers of dairy cattle to be brought into production.

MR. GRAHAM: Mr. Chairman, I'm not too sure if my memory is correct, but I believe it was about a year ago that the Minister was saying that he hoped for an 11 percent increase in the Province of Manitoba in the past 12 months. I'm not too sure of that figure, 11 percent I believe it was that the Minister was quoting last year, now I may be wrong on that, but at this particular time then the Minister is not forecasting any significant increase in the dairy industry at this time. Is that correct, or does he have some views on that?

MR. USKIW: Well in that respect, Mr. Chairman, we do have a problem, in that in the Federal Provincial market share arrangements we did give indication to producers across Canada that certain levels of production could be achieved or even desirable, and to the extent that some people have geared up to enter production in this year, I think that we are going to have to honour that new production into the total milk supply situation and with respect to the pooling of the milk price and with respect to the sharing of those subsidies that are available. So to that extent we do have a problem.

It would be tragic if those people that were led to believe that they could enter

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(MR. USKIW cont'd)the industry as new producers, or indeed to expand their existing herds, to now cut them off after they have made some investments in that direction, but the Producer Board is looking at each application for market share quota on the basis of whether or not there has been an investment already put in place with respect of increased production in 1976 and will have to decide accordingly. But that is an area of deep concern on the part of the department and indeed the Government of Manitoba over which we have made our views known to the Government of Canada, that only last spring they had indicated that there was need for expansion; they had increased several months ago the subsidy on industrial milk production, and six months later have completely reversed their position. That puts us in a very awkward position, given the fact that we have had an agreement with the Canadian Dairy Commission for substantial expansion of which we realized about 80 percent of that expansion, some provinces realized over one hundred percent; and because we have not realized over one hundred percent there's going to be a transfer of some of our quota to other provinces who did realize over 100 percent, but notwithstanding that we are still going to suffer a penalty for producing the 80 percent of the contract that we did produce. So we have some real contradictions in federal dairy policy.

MR. CHAIRMAN: The Honourable Minister for Morris.

MR. JORGENSEN: What the Minister is now saying is what we've been saying all along. What he is describing is the weird and wonderful ways of supply management, where bureaucrats are placed in the position of making decisions that should be left in the hands of the farmer, and earlier on he made the statement that management decisions insofar as increases or decreases in livestock herds should be left in the hands of the producer himself. That to me, Mr. Chairman, is a comforting revelation because, look, if there is any direction that the Minister has indicated since he has become Minister, is that he is intending to take those management decisions out of the hands of the farmer and place them in the hands of the bureaucrats in his own department. Nothing that the Minister has said during the course of this whole debate on his estimates has given me more comfort and more assurance than what he has said just now. First of all, he now believes that the farmers themselves should be making those decisions; secondly, he has castigated the Federal Government for making wrong decisions insofar as milk production is concerned. He has castigated the bureaucrats in the Department of Agriculture federally; they didn't know what they were doing, and I can tell him, that they will never know what they are doing, because the decisions as to what shall be produced and how it will be produced and when it will be produced is best left in the hands of the several numbers of thousands of farmers, or whatever the number may be of dairy farmers across this country; and when left in their hands I think you can have reasonable assurance that their decisions will be correct decisions.

What the Minister and his department may now be recognizing, maybe belatedly, and maybe only after a great deal of harm has been done to the industry, is that Canada is not a country like Denmark, or some other European country, that is practically in balance insofar as supply and demand is concerned, and that you can under those circumstances exercise some control. But in a country that is as diverse as Canada, separate jurisdictions, in a federated system, and indeed involved in international markets, it is not possible to place those decisions in the hands of the federal or provincial governments, because almost invariably they make the wrong decision. If the Minister has learned that lesson, then we thank God that he's learned something, because there's no way that a small group of bureaucrats in this country are going to be in the position to make management decisions for 1,700 dairy farmers. Each and every one of those dairy farmers have got to make their own decisions as to what their production will be, as to what their management decisions will be. And I am just sitting here hoping and praying that the Minister has learned that lesson because if he's learned that lesson, then he's finally on the way to learning the fundamentals of agriculture, that he's going to depart, he's going to abandon the Danish system of attempting to impose supply management in that country, and they can do it there, they can do it because supply almost balances demand.

If he has learned that lesson then I am going to be really thankful in this country

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(MR. JORGENSON cont'd)that the Minister is going to leave the decision making process in the hands of the dairy producers and the livestock producers, because he can't go wrong in doing that; because they have demonstrated over the years that the decisions that they've made has kept dairy production and livestock production or hog production or egg production or poultry production reasonably in balance. If there have been adjustments that have had to be made - and there have been - then they're made gradually, they're made without any great dislocation and they're made without creating any great disruptions in this country. I only hope that what the Minister has said earlier in his remarks, he does not retract; that he lives by those statements and acts as though he actually believes them. If he does, then he's given a great deal of reassurance to members on this side of the House, that at least in the six years or - six is it? - seven years he's been Minister of Agriculture, he has finally learned something, and if after seven years we can have the assurance that this Minister has learned even that small fundamental of economics in agriculture, then we have some hope that maybe agriculture in this province will survive.

MR. CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: Mr. Chairman, the Member for Morris never ceases to amaze me. I'm always intrigued by the way he puts things together in his mind and draws the wrong conclusions all the time, because even history has to haunt him, Sir. You know, you would almost think that regulations of the milk industry was a new innovation in this province and it's really something that they have put together 30 or 40 years ago in this province. And when we gave some additional freedom to producers two years ago to do what they wanted to do, we had shouts from the other side, especially from the Member for La Verendrye, that we were freeing up the situation too much, that the fluid producers of that time should have had the continued protection that they've enjoyed for decades. He didn't want us to free up the opportunity of production to additional producers, and I'm sure he has to stand up here and either defend that or else the Member for Morris has to tell me that he is not in concert with his colleagues, and that he is not espousing the Party position at this point in time, and if he is espousing an independent point of view that's fair enough. But certainly the Conservative Party is finding itself in a very awkward position trying to suggest that first of all we should not tamper with the controls that were in effect, and now for the Member for Morris to suggest that we really should have a free market system and that the producers will do the right thing and we don't need government involved whatever, and if that is to be taken seriously then, of course, we should really abolish the Milk Control Act. We should abolish the National Products Marketing Act, or at least the Producers Milk Control Agency, and go back to where we were in 1930, which was too uncomfortable for people that were in government at that point in time. They were not in a position of adequate supplies of milk. They were not in a position to ensure adequate returns to producers in order to guarantee those supplies. So there was no way out. While philosophically the Conservatives and Liberals of that day did not agree with supply management programming, they said for milk we have no choice because babies need milk and we can't run the risk of having too few cows one year and too many the next year, we have to have continuity of supply. It was the argument of people in government in 1930-35, 1940, and that's been on our books for many many decades. I find the comments of the Member for Morris rather intriguing.

Now with respect to the larger question: the Member for Morris is correct that Manitoba is not in a position to make all of the decisions that we can control our own destiny; that we indeed are subject to other jurisdictions, namely, the Government of Canada through its dairy policy. But how are we subject to the wishes of the Government of Canada? They are not saying that we can't produce millions of tons of milk in Manitoba; they are saying if you want a subsidy, you are eligible for a subsidy on only so much production, that's what they are saying. The more you produce beyond that limit, the less subsidy you're going to get, that's what they're saying. But if you want no subsidies, you can flood all of Canada with milk, that's what they are saying. So let not the Member for Morris suggest that there is some constraint in terms of milk production if people want to produce it for nothing. But in essence the milk industry is a highly subsidized industry, especially milk going for industrial uses and therefore,

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(MR. USKIW cont'd)therefore it is totally a different question.

I want to take some moments to deal more fully with this because we do have a historical position to outline for the benefit of those that don't quite appreciate what has happened in the dairy industry and from the time that controls and programs, incentive programs or subsidy programs, were introduced. And this dates back many many years, Mr. Chairman.

MR. WATT: Before the Minister starts on his explanation would he permit a question?

MR. USKIW: Yes, sure.

MR. CHAIRMAN: The Honourable Member for Arthur.

MR. WATT: I just ask the Minister if the province is producing now to the full extent of the quotas that they have that would be covered by subsidy.

MR. USKIW: The province is producing about 80 percent of the market share agreement, but notwithstanding that the Government of Canada has indicated that they are going to reduce our allotment and penalize production over and above what we are now at.

MR. WATT: Could I ask one more question? Is it a fact then that the quotas that the province has now, that is eligible for subsidy, is not being filled? That it's not a case of flooding the market with unsubsidized milk but is the province actually, is it filling its quota of subsidized milk? Are we in fact producing less than what we could be subsidized for?

MR. USKIW: Yes, we are producing about 19 percent below what was allocated to this province by the Canadian Dairy Commission under the Market Share Agreement.

MR. WATT: Well then . . .that placed right now?

MR. USKIW: Pardon me?

MR. WATT: It's quota then that we are losing because of lack of production, or it's going to waste.

MR. USKIW: Well there's nothing going to waste if it isn't being produced, Mr. Chairman. The Member for Arthur is incorrect, milk is not going to waste, it simply hasn't been produced.

MR. WATT: I'm talking about the quota.

MR. CHAIRMAN: Order please.

MR. USKIW: Now the fact of the matter is that we have had pursuant to the agreement with the Canadian Dairy Commission an aggressive policy to try to raise our milk production to those levels, but we are not successful in capturing all of the market share quota provisions, at least not at this point in time, and, of course, the Government of Canada has now decided to turn around on its policy and to now attempt to reduce milk production in Canada.

I want to give the members opposite some history as to the development of Canadian dairy policy because I think it is very relevant. From the early settlement days milk production was, of course, considered a very important part of Canadian agriculture and over the years dairy farmers had supplied the growing population with an abundant supply of nutritionally important dairy products at fairly reasonable prices. But up until World War II large exports of butter, and particularly cheese, to Great Britain earned Canada much of our needed foreign exchange, and this is something that maybe was an important consideration at that point in time. Up to this time milk producers had faced very unstable incomes, Mr. Chairman, mainly due to supply cycles. As in the case of beef, expansion in the cow herd is slow and rather irreversible since a cow has a productive life of at least eight years. Favourable prices for milk led to a gradual persistent build-up in the dairy herd and the expanding milk supply depressed prices severely for many years. Extremely chaotic conditions during the depression led to legislation to stabilize prices and market the producers supplying fluid milk plants in all provinces during the Thirties. This however had the effect of increasing instability faced by producers shipping milk to industrial milk plants. Little was done about this inequity until very much later. At the start of World War II the Canadian Government actively encouraged expansion in milk supply for export to Great Britain. And this is something that members ought to appreciate and I notice now, Mr. Chairman, that members opposite are really not wanting the answer to the questions that they have put.

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MR. GRAHAM: Mr. Chairman, on a point of privilege. I certainly do want the answers that the Minister is going to give.

MR. CHAIRMAN: Order please. That's not a point of privilege.

MR. USKIW: Given the activity on the other side of the House, Mr. Chairman, I don't know whether members opposite want to score points or whether they want to learn something this evening.

At the start of World War II, as I said a moment ago, the Government of Canada encouraged expansion in milk supply in order to provide for export to Great Britain. After the war these export markets disappeared abruptly and the Canadian Government instituted policies to assist milk producers in adjusting to the drastic change in conditions. This may be the start of federal dairy policy since that time there has been programs in effect intended to stabilize milk supplies and producer incomes, although the Federal Government never explicitly defined a clear-cut policy for the dairy industry during the next 20 years, much to the frustration of milk producers who found the ad hoc decisions and apparent changes in direction of policy difficult to live with.

In 1967 the Federal Government seemed to have been prepared to begin formulation of a more explicit long-term policy for the dairy industry. It set up the Canadian Dairy Commission to administer a policy designed to ensure milk producers a reasonably stable price for milk production up to Canadian market requirements. And I think this is something that members opposite should keep in mind, that in 1967 the policy was adopted that they would want to bring stability in terms of price at least on Canadian requirements, or on the amount that was required for Canadian consumption. In subsequent years a Milk Supply Management Program was developed in consultation with producers. All provinces were invited to enter into a market sharing agreement with the Canadian Dairy Commission. All significant dairy provinces participated. Manitoba joined in April 1 of 1972. I want to point out to members opposite here that we did so in an effort to recover market share that we had lost prior to that period in time because of a lack of thrust and initiative in Manitoba, both by the producers and indeed by the Government of Manitoba at that time. There was no program to convert the cream shippers into industrial milk producers within this province. There was no incentive, no program, no direction.

So each year Manitoba was losing its cream shippers and the allocation of milk was going to Ontario and Quebec for a period of years. And that is what we attempted to renegotiate back and succeeded partially at least in the market share arrangement that followed in 1972. The agreement gave Manitoba a market sharing quota entitlement of 21 million pounds of butterfat in 1972. Manitoba milk and cream shippers would be guaranteed a market for this amount of milk expressed in pounds of butterfat at a minimum price to be set each year. In addition a market subsidy quota entitled producers to subsidies. At the time Manitoba joined the market sharing agreement our cream and milk marketings were about 16 million pounds of butterfat, far below our entitlement of 21 million pounds of butterfat. Moreover cream marketings were declining at about 1.5 million pounds per year. Increased market subsidy quota utilization would have to be based on expansion in milk marketing by existing milk shippers and by conversion of interested cream shippers. The Manitoba government had been actively encouraging such expansion with a variety of programs, and these efforts were increased when we joined the market sharing plan.

These efforts have been reasonably successful. Whole milk marketings in Manitoba increased by 22 percent from 1971 to 1972; the rate of increase slowed to 9 percent in 1973, and to zero in 1974. Strong grain prices during these years discouraged milk production right across the prairies. Manitoba's milk production and market subsidy quota utilization held up much better than Alberta's and Saskatchewan's. One important reason for this was the introduction of price pooling by May of 1975 - it should have been 1974, no 1975 - by the newly formed Milk Marketing Board in this province. Milk production in Manitoba began to increase significantly again during the early summer of 1975 and reached a rate of 10 percent by fall of 1975. However, during the past year a number of actions by the Federal Government and its agency the Canadian Dairy Commission indicated a disturbing change in dairy policy direction. It now appeared that the plan is to deliberately reduce milk production substantially. We base this on the

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(MR. USKIW cont'd) following:

The abrupt discontinuation of the Federal five-cent-per-quart consumer subsidy on fluid milk effective October 1, 1974. This forced a sharp increase in retail milk prices and led to a reduction in per capita fluid milk consumption right across Canada.

This had two undesirable consequences. The net subsidy to milk producers was reduced as a levy to finance exports of milk product surplus to Canadian requirements was increased from 15 cents per hundred weight to 45 cents on April 1 of 1975, and 90 cents on August 1 of 1975, although this latter increase was reduced to 65 cents following strenuous objections by milk producers. Moreover it appears that the market subsidy quotas will be reduced from \$2.66 to \$2.34 per hundred weight for the dairy year commencing April 1, 1976, and that the within quota levy will be increased from 65 cents to \$1.00.

In addition to this reduction in producer revenues per hundred weight of milk the Federal Government is contemplating a sharp reduction and it's expected to be between 18 and 20 percent in the quantity of milk defined as market requirements, on which market subsidy quota is paid.

Milk producers who less than one year ago have been encouraged by the federal dairy policy to expand production, are now forced to cut back. This abrupt and drastic reversal in direction is all the more incomprehensible when it is considered that a milk producer who enters into it significantly, expands production must make investments in facilities and livestock that cannot be reversed for at least ten years, unless of course he's prepared to face very heavy losses.

The history of the Manitoba's Market Subsidy Quota Entitlement has been as follows:

Basic entitlement, April 1, 1972, 18.1 million pounds of butterfat, plus additional quota of 1.5 million pounds, for a total of 19.6, plus national quota expansion - and this is only 1972 - of 1.4 million pounds of butterfat for a total of 21 million. This quota was far in excess of our utilization which was about 16 million pounds, and provided ample scope for expansion in milk marketing, particularly in view of the expected continuing decline in peak shipments of one million pounds butterfat per year.

During 1973-74 and early 1975 the Federal Government actively encouraged expansion in milk supply. Skim milk powder prices were increased on six occasions from 29 cents to 64 cents per pound, and butter prices on four occasions from 68 cents to \$1.03 per pound. In addition the market subsidy quota subsidy was increased in five stages from \$1.25 a hundred weight to \$2.66.

On April 1, 1975 the national quota expansion entitlement of 1.4 million pounds was rolled back, This was followed by another roll-back of one million pounds in August.

On April 1, 1976 Manitoba's entitlement is expected to be only 14 million pounds of butterfat, which would be a drop of 5.6 million pounds in our original entitlement of 19.6 million pounds.

At the current rate of milk production Manitoba's producers expect to need in excess of 15 million pounds of market subsidy quota during the - of market share quota rather - during the dairy year starting April 1, 1976; substantially in excess of the 14 million pounds which is contemplated to be made available.

The cruelty and hypocrisy of the recent federal reversal in policy is indicated by the unwillingness to indicate in specific terms the actual quantity of market share of Canada's dairy product requirements that should be supplied by our dairy industry in future years, as a reliable basis for planning by producers and processors.

The Federal government's intention to reduce the amount of direct subsidy in future and require producers to obtain an increasing share of income direct from the market will have the effect of shrinking Canadian market requirements, and hence may require further cut-backs or heavy losses on exports of excess supplies. Yet as our market for milk was shrinking imports of cheese, mostly heavily subsidized by EEC countries were expanding substantially from 37 million pounds in 1972 to 49 million pounds in 1974. One has to wonder whether this is part of the price that we are going to pay for Canadian associate memberships in the EEC.

So I think, Mr. Chairman, given all of that history, you know, one cannot draw

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(MR. USKIW cont'd)the conclusion that the answer is to simply have no policy whatever, whether it be provincial or national, but rather to insist that when national policy is announced, as it was a year ago, that that policy should be kept in good faith and continued during a period of duration which provides for stability. The Minister for Agriculture of Canada a year ago indicated a five year plan in this regard. His announcement was based on the theory that we must provide those guarantees so that producers could make sound investments.

The only problem that has arisen since that time at the national level is not the problem of dealing with milk supplies, but the problem of the Government of Canada wanting to roll back its costs and its spending. It's purely a budgetary decision that has now resulted in an abrupt reverse of national dairy policy which was announced last spring; and to the extent that the Member for Morris would argue that governments are unreliable in this regard, I would have to accept that in the context of what has happened within the last several months.

That is why in the opening remarks during the introduction of our estimates, I had indicated that what was happening in the dairy industry was indeed a concern to the Province of Manitoba and that we did not agree with the abrupt reversal of national dairy policy, and that we would be discussing this particular policy as soon as a meeting could be arranged with the Government of Canada, with the Federal Minister; and I don't know whether that is going to be shortly or not, but hopefully before the new dairy year commences on April 1. This is a matter of grave concern to Manitoba because we do have on stream production which at least matches what we are entitled to under the proposed revisions, but perhaps even somewhat in excess of that. It's probably about 15 million butterfat. The best guess is it's 15.5. The guesstimate that we have is about 15.5 in butterfat terms. But that doesn't take into account the fact that there are producers coming on stream, new and expanding producers, based on the decisions of the Canadian Dairy Commission of last April, and that is our dilemma which we are going to have to wrestle with in the months ahead. We certainly are going to attempt to try to come to grips with that problem on behalf of those producers as well as on behalf of the existing producers who may be faced with roll backs in production.

MR. CHAIRMAN: The Honourable Member for Arthur.

MR. WATT: Mr. Chairman, if the Minister of Agriculture was intrigued a few moments ago by the remarks made by the Member from Morris, I am most intrigued by the remarks that have been coming from him across the House in the last short while.

I'm having trouble equating what the Minister of Agriculture said in the House a few days ago and what he is saying now, and I'm intrigued with how he is trying to reconcile what he said a few days ago in the House.

When I asked him the question, when he had made the statement that the recovery of milk quotas in the Province of Manitoba as of 1975 or late in 1976 was substantial, I asked him to what extent he meant substantial in actual figures in pounds of milk. The Minister at that time was not able to answer, or apparently not able to answer, or he indicated that he was not able to give me figures off the top of his head. I suspect now that he was able to give me the figures and thought probably that the whole issue of milk quotas would blow over our heads.

Now, it's most interesting, Mr. Chairman, to have listened to the history that he has gone back into over a period of - I don't know whether it was A.B. or B.C., but it went so far back that I wasn't particularly interested. I'm not interested in what the price of milk was when Sir John A. Macdonald tied Canada together with a railway. I don't know what the price of milk was then, and I really don't care. I'm interested in what our quota is now and what it was when the Tories were in power. I'm interested in this substantial increase, an increase that was brought about since 1969 to '75, an increase in the quota system that Tories had lost up unto and including 1969.

Now, Mr. Chairman, I have looked into this fairly closely and I think that I can give you some figures at the moment it should be reasonably correct. Since the figures that I'm going to give you came from the Federal Dairy Commission and from the Department of Agriculture in the Province of Manitoba, and I think they are figures that are open for everybody to look into if they wish to, they're available and should be available

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(MR. WATT cont'd)to all members of the House and to the producers particularly in the Province of Manitoba.

So we find, Mr. Chairman, that in 1969 - and let us have a look for a few moments at the history leading up to 1969 - when the milk producers in fact, did lose quota, when the Tories were in power. For two reasons, Mr. Chairman - I'm sorry the Minister of Agriculture is not listening; he's not interested in knowing the facts, the truth when it comes straight across to him he doesn't seem to comprehend or is not interested in it. However he probably will look up the records and read later what I've had to say.

Mr. Chairman, we go back to 1969 and prior, when at that time and is a fact now, that we had no representation on the Federal Dairy Commission. The Federal Dairy Commission was and is still made up of representation from Ontario, from Quebec, and from British Columbia. Manitoba had then and has not now any representation on that commission. Consequently as a result of changing grain prices and the fact that small dairy farms were going out of business and they were freeing up quotas, that since there was no representation on the commission in Ottawa at that time, these freed up quotas were not known to those producers who wanted to increase, or people who wanted to get into the dairy industry and were simply lost to Quebec and to Ontario.

Of course, there were other reasons why they went out of production. I have mentioned, the substantially increased revenue coming from wheat and from other grains prompted some farmers to go out of milk production. These are the reasons, Mr. Chairman, that we were losing quotas and it is a fact that we were losing quotas. At that time in 1969 when I was then the Minister of Agriculture we met, the Ministers of Agriculture from Alberta and Saskatchewan met with the Dairy Commission and Mr. Olson, then the Minister of Agriculture in Ottawa, and at that time we were able to get some representation when we had established an office in Manitoba, one in Saskatchewan and one in Alberta, whereby the quotas that were being freed up in these three provinces were made available through the office now occupied, and at that time occupied by Mr. C. . . That office is still there. As a result of that many of the quotas from and since that time that would have been lost to Ontario and to Quebec remained in the Province of Manitoba.

Now these are facts, Mr. Chairman. These are facts of what actually did happen, and I'm sure the Minister will agree with me that that office, still headed by Mr. C. . . has done a great deal and still is doing a great deal to hold the quotas in the Province of Manitoba, that were being lost prior to his time.

But let's have a look, Mr. Chairman, at what our quotas were at that time and what they are now. These are figures, Mr. Chairman, not off the top of my head but the exact figures that I got from Ottawa yesterday.

In 1969 the total quota for Canada for milk production was 314 million pounds. In 1969 Manitoba's share of that quota was 13.3 million pounds, or in fact 4.25 percent of the total for Canada. Now in 1975 the total quota for Canada - and I'm talking about the quota that was eligible for subsidy, let's be clear on that, eligible for subsidy. In 1975 the total quota for Canada was 425 million pounds. Manitoba's share was 18.6 million pounds, or in the percentage-wise figure, 4.37 percent of the total for Canada.

Now, Mr. Chairman, the net substantial increase from 1969 to '75 is .12 percent. Now this is what the Minister calls a substantial increase. --(Interjection)-- That is right, that's a national figure, .12 percent increase. No, just a minute now, Mr. Chairman. When we're talking about .12 percent increase, it's provincial, the Province of Manitoba. The Minister dares to stand on his feet and say that .12 percent increase in six years of ND government is a substantial increase. Let's have a look at it, Mr. Chairman, in terms of butterfat production.

In 1969 the total production of butter in the Province of Manitoba was 20 million pounds. This is not my figures, Mr. Chairman. This is the figures coming from the Department of Agriculture in the Province of Manitoba, 20 million pounds. In 1975, 12 million pounds. Not my figures. Not my figures, Mr. Minister, the figures from the Department of Agriculture, 12 million pounds. Now, let's be fair about this. In 1969 the production of cheese was one million pounds. In 1975 the production of cheese was

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(MR. WATT cont'd) 10 million pounds. Now these are probably approximate figures but they, I suspect, are very close to the actual figures.

Now let's say that I am not sure how many pounds of milk it takes to make a pound of cheese. I suppose it depends on whether it is cottage cheese or whether it's cheese whiz or whether it's black diamond, old cheese or new cheese or mild cheese, and maybe it's blue cheese. It takes a lot more milk, I believe, to make blue cheese than it takes - it doesn't matter. I suspect that these figures can be equated with the total pounds of milk production. I believe they can be approximately.

So it's reasonable to assume, Mr. Chairman, it's reasonable to assume now that the Minister made a misleading statement in this House when he indicated to me in the Question Period that the province had, under the ND government, had substantially increased the quota system or the quota for the Province of Manitoba. Now this is not a fact Mr. Chairman. The fact is that if the Minister is going to get up and make misleading statements to this House and to the Province of Manitoba in this instance, how in hell can we believe him on any other issue. This is what I would like to know from the Minister, if he really believes that he can tell me or tell the farmers in the Province of Manitoba in the case his cow-calf operation and his Meat Production Stabilization Plan now is in fact going to be simply a volunteer five year plan, or is it in fact going to be a compulsory meat marketing government controlled board.

Now these are questions, Mr. Chairman, that we have a right to know the truth; we have the right to know a direct and positive answer from the Minister. We don't want questions from this side of the House answered from that side of the House in vague terms. A substantial increase, he said, in the quotas received by the Province of Manitoba were relevant to the total across Canada, was not a correct statement, and the Minister knows it was not a correct statement. I'm asking him now to get up and say that the statement that he made across the House a few days ago was not a correct statement. His own figures from his own department indicate that his statement was not correct. The figures that I have got from the dairies, the Milk Commission in Ottawa indicate that he did not make a correct statement. I simply ask him now if he is prepared to dispute the figures that I am giving him, or if he is prepared to admit that the figures are perfectly right and that he was perfectly and absolutely wrong when he made the statement in this House that he and his government with the interests of the milk producers in the province had made a tremendous thrust - that is the term they constantly use - the thrusts from that government had made substantial increases. I ask him is .12 percent increase in the quotas for the Province of Manitoba as related to the total across Canada, is a substantial increase. If it is, Mr. Speaker, I would say that we would have to go many hundred years ahead before we would have a meaningful figure in the increase in the production of milk in the Province of Manitoba.

MR. USKIW: Mr. Chairman, I appreciate the sensitivity of the Member for Arthur because I recall on many occasions where we had engaged on this subject and where I had taken the position that the previous government, and while he was Minister, that they were indeed negligent in protecting the interests of Manitoba in the share of the Canadian Dairy Market, and that is still a statement of fact that I would want to hold to, Mr. Chairman. The comments of the Member for Arthur has not persuaded me that I was wrong.

To begin with there was no mechanism in this province to transfer quotas as between producers within the province. The Minister himself didn't know, or his Milk Control Board didn't know, or he didn't have an agency that knew, when one or a hundred and one producers went out of dairy production in this province, and where that production was re-allocated by the Canadian Dairy Commission. All he knew was that at the end of the year, when the Canadian Dairy Commission gave him a report and indicated to him that there is a transfer of Manitoba's quota from Manitoba to Quebec because we had dropped our production in that year by so many pounds, and others in the eastern part of Canada have taken up that amount of production to off-set it, because the Canadian Dairy Commission was working in the context of a national supply management policy. They didn't care where the cows were, which provinces produced, and

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(MR. USKIW cont'd) which ones didn't, they were working on global figures, and so because we didn't establish a mechanism in this province unknowingly to the government every day quotas were being lost from this province and were being passed on to Ontario and Quebec, and that was going on for a period of time. And it was not until we entered into the market share agreement that that came to a halt and that we were able to transfer the quotas within the province because the Milk Control Board was given the responsibility of monitoring all those that went out of production and to make those production quotas available to those who wanted to come in within the province or wanted to expand their dairy business.

The negotiations resulted in - and these are the figures that my honourable friend should appreciate - in moving us from 15 million pounds of butterfat entitlement at the time of the agreement - that is what our production was - to 19.6 million under the agreement. That's about 140 million pounds of milk, Mr. Chairman. That was the expansion that was entered into. So the Member for Arthur is wrong when he suggests that nothing occurred which protected the interests of: (a) Manitoba's economy; (b) opportunities for new dairy production in this province when that agreement was entered into.

So that the Member for Arthur - if I have to repeat it again I will - he should not be terribly sensitive because that is the historical fact, Mr. Chairman, we did not have a mechanism in this province to monitor those producers who were going out of business in order that we could re-allocate those quota rights to another producer within the boundaries of Manitoba up until this government came in.

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MR. CHAIRMAN: The Honourable Member for Morris.

MR. JORGENSON: Mr. Chairman, what the Minister has done in the last short while is to convince us that the dairy policy that he has been pursuing in this province has created more problems for him than they have solved, and now he is attempting to blame the Feds for that, which is a very familiar tactic on the part of the Minister. Any time there's a problem that he's created and doesn't know to deal with, . . .

MR. ENNS: We did okay, thank you.

MR. JORGENSON: . . . it's the Federal government. Of course, that's a natural and it's one of the Canadian characteristics of provincial government, there is no more convenient whipping boy in this country than the Feds.

MR. CHAIRMAN: The Honourable Minister for Agriculture.

MR. USKIW: . . . who is providing the dairy subsidies to all of the dairy producers of Canada, and whether that in fact does not determine the level of production.

MR. JORGENSON: You know, Mr. Chairman, I was just coming to that, that was going to be the second point that I was going to deal with; the first one, of course, was the fact that Ministers of Agriculture - if there's been one thing that's been characteristic of Ministers of Agriculture in this province, and that includes past Ministers of Agriculture as well as the present one, is that when they get into a problem there's no more convenient way of sloughing off that problem than to blame it on the Feds.

But the second point is, that he has now convinced me if I was not convinced before - and I won't admit that I wasn't - that dairy farmers in this country don't produce for the market and there's where the fundamental and basic mistake is made. What are they producing for? The Minister has said so repeatedly tonight, they are producing for that lousy subsidy, that's what they are producing for; the market doesn't mean a thing, all they are looking for is a bit of a subsidy on the part of the federal government, and as soon as they have that subsidy within their grasp all of a sudden they are going to go out breeding dairy cows like crazy and milking them like fools. Does the Minister try to tell us that is the criteria upon which our dairy industry is based? If it is, it's an awfully shaky criteria, and I think it is wrong.

The Minister says that until he came into power, until he did something about the dairy quotas, the dairy farmers didn't know what they were doing. Well I'll tell the Minister this much, that as long as the decision as to whether or not the market in the City of Winnipeg or in the Province of Manitoba was left up to the people who were responsible, that is the dairy producers themselves who are under contract with the processors, there was never a shortage of milk in this province. Somehow or other they always managed to produce the milk that was required. Granted there were deficiencies in that system; granted there were problems; granted it wasn't perfect, but I'll tell the Minister this much, it is a heck of a lot better than the system he's got right now, a heck of a lot better; when it was left in the hands of the dairy producers themselves to determine along with the processors what the market will be and where the market was, there wasn't a problem. It was when he removed the quota system and suddenly threw everybody into a chaotic situation in this province.

Now he said when he removed the quotas the markets went up. Yes, he removed them in May when he knew that the production of milk was going to be increased, it always does during the summer months. But there is no guarantee, and dairy production is unique in that respect, there is no guarantee that during the winter months there is going to be an equal amount of milk produced in this country, an equal amount of fluid milk produced in this country, and that is a critical point. And the Minister has destroyed that kind of relationship between the processors and the producers, and there's an awful lot of good dairy producers that went out of business in this province because they said, what is the point of producing? What is the point of producing dairy products or fluid milk if we're not going to have the assurance that we're going to have the market. And what is the sense of us going to all the expense of producing milk in the winter months if we're not going to get any more than the industrial milk shippers who were producing during the summer months. I don't know where the Minister gets the idea that the policy that he has initiated has created a better situation in the dairy industry, because it hasn't. He has created, as I said earlier, more problems than there were to solve when he came into power. The Minister now has to face up to those

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(MR. JORGENSON cont'd) problems and recognize that the system that was in effect, notwithstanding its problems, notwithstanding its difficulties and its shortcomings, and admittedly they were there, was a heck of a lot better than the system he's introduced right now.

MR. USKIW: Mr. Chairman, again the Member for Morris, I suppose it could be said that maybe he is not willing to think any more, that he is getting lazy as time goes on, because he continues to suggest over and over again that what was good a hundred years ago will be good forever, that nothing is changing and we are content to leave things well alone. That is not correct. We have had a situation in the dairy industry of extreme chaos prior to two years ago, not a creation of this government Mr. Chairman, under the system that was in effect since the 1930's - one group of producers getting paid at this level per hundred pounds of milk, another group of producers being paid a quarter or less of that level for producing the same product. And my honourable friend says he would want to go back to that. Mr. Chairman, I am not prepared to go back to that kind of system; we do not have a double standard; we do not require nor do we desire that one producer producing the same product should get a quarter of the remuneration as that of his neighbour because he happens to have a hold on a different portion of the dairy market. And how does he happen to have hold of that market, Mr. Chairman? Not by his own initiative, but by the stupid laws of province which were on the books at that time; that's how he had that privilege, a monopoly position placed in his hands by the government of the day since the 1930's. That is the position that the Honourable Member for Morris is saying is the best position.

Let us single out 25 percent of our producers and give them the best market. We have several markets for milk products in this province and in this country, but he is prepared to say we will give the highest paid market, the market that provides the highest returns to milk producers to a quarter of our producers, and then we will let the others have what is left. One group of producers will get \$12.00 or \$13.00 a hundredweight for milk, while another group of producers will get \$4.00, Mr. Chairman. That is what the Member for Morris is suggesting that we go back to, and I say, heaven forbid, Mr. Chairman, that we go back to a two-class approach within the dairy industry, not recognizing that where effort is made that it should be treated equally for the same line of production.

It was totally inequitable the way it was, we didn't have rural meetings for nothing, the part of the industrial producers who wanted redress, they wanted a crack at all of the markets. There was no logic in the government maintaining a monopoly position for a handful of producers. It doesn't make any ethical sense, Mr. Chairman. Where are the ethics of my friends opposite? Surely they must believe in equality of opportunity? Not a monopoly for the privileged few. I know it may be popular in the constituency of La Verendrye where there are a large percentage of what is known as the old fluid producers who had a vested interest. I know I am not winning my argument with those people because they had a privileged position, a privilege handed to them by the law of this province, but at the expense of hundreds of other producers across the land. That is not a position that I don't think anybody should want to sustain. Today we have a system whereby if you deliver the same quality of milk you get the same price, no matter where that milk goes, no matter what use it's put to; whether it's in the making of cheese, whether it's in the making of yogurt, whether it's in the making of cottage cheese. It doesn't matter where it's consumed, or whether it's consumed as fresh milk; it doesn't matter where it is consumed, what form, the producers are all paid the same price for milk delivered on that same day if it's the same quality of product. And that is a revolution that has taken place in this province two years ago. I knew when that happened that we would have those old-timers that have that privileged position that would be unhappy, and I met with them. Some of them were snarling at me, Mr. Chairman. The only thing is that I knew that my position was ethical, it had a moral basis to it, and that was my defense of doing what I did. I don't intend to apologize for it, Mr. Chairman, that is correct, there was ethics on the government side of the question. It is something that the Member for Lakeside volunteered to me that he wished he had the nerve to do when he was Minister. He wished that he would be able to do that. Well I'm glad he's here because he may want to respond. The Member for Lakeside volunteered to me that, you know, it was the right thing to do but God it's politically painful. Politically painful - it's one of those things that you don't want to

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(MR. USKIW cont'd) tamper with because it caused a storm that, you know, politicians have to be careful in that regard. And I appreciate that.

Certainly I'm a politician as much as he is, but one of the things that one has to put on the record, and that is one's own image as to how one wants to treat society as a whole and whether one believes in equality of opportunity; whether one wants to treat people all in the same manner or whether one wants to discriminate. And the irony of legislation, which in fact was incriminating, and which in fact I think perhaps in this modern period of our time could have been challenged on the basis of discrimination. I suspect maybe it could have been challenged successfully.

And there was another irony, Mr. Chairman, and that is that the way the system operated - and I'm led to believe that we are now substantially away from that system, but not completely - we had a situation where a lot of our milk that was supposedly fresh milk in the cartons at Safeway's was not fresh milk. It was reconstituted powdered. That's what it was. And powder milk was paid to the producer at half the price of whole fresh milk. And the consumers didn't know what they were drinking, Mr. Chairman. That was the other irony of that system. And so the members opposite now object because the Producers Milk Marketing Board insist that the requirements of the fresh milk market have to be met first; that we don't want a reconstitute powder and pass it on as fresh milk unless we are prepared to label those cartons of milk as being re-constituted milk powder. And the Food and Drug Administration from Ottawa drew that to our attention. They had taken some samples and they said, if you're selling powdered milk you should be saying so to the consumers of this province. And they were right. The Milk Producers Marketing Board is faced with the responsibility of making sure that they deal with the question of cyclical downturns in milk production or seasonal adjustments, and so they have a policy of diverting milk from one plant to another to offset some of these downturns in production in order that the fresh milk market is satisfied first as to the supply that it requires. And in doing that, Mr. Chairman, it also ensures that the producers get the highest price for their milk; that's an important insurance to the producer of milk, that he is not selling that milk for powder purposes at a lower price which then has to depend on Canadian Dairy Commission subsidies in order that he can make a dollar in milk production.

So all of these adjustments, while they may have been painful, were extremely overdue and extremely necessary. I suggest to members opposite that they caucus with the Member for Lakeside because he had to wrestle with that in his own mind when he was Minister. I don't know whether if he still continued to be in that position, whether he would have dealt with it, but I know that he was bothered with the same problem. --(Interjection)-- Well you see, the Member for Lakeside got out of it before he had to face that decision.

A MEMBER: No, they kicked him out of it.

MR. USKIW: . . . before he had to face that decision. But nevertheless that decision had to be made and we have made it. We have made it for the benefit of consumers and for the benefit of all our milk producers in this province, and I don't apologize for it, Mr. Chairman.

MR. CHAIRMAN: The Honourable Member for La Verendrye.

MR. BOB BANMAN (La Verendrye): Thank you, Mr. Chairman. I just want to make several comments to the Minister of Agriculture and also ask him several questions along this line. I've been asking several questions during the Question Period about this particular subject matter. I appreciate it is a complicated one and can't be answered in just a few short sentences.

The removal of quotas of course had the effect, like the Minister said, it got people involved. Not only did the removal of the quotas get more people involved in the dairy industry in Manitoba, but also because of the problems that we were having with the cow-calf operators and generally in the beef industry, I know a number of farmers in my area converted from cattle right into milk production.

Now a lot of the producers, when the quota was lifted - this is fluid and industrial people - went ahead and said, okay, what's more than likely going to happen in a very short while is that we're going to have quotas imposed on us again. Therefore

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(MR. BANMAN cont'd). . . . most of them, and especially the fluid people, kept up their production during the winter months to make sure that when a quota system was instituted again that they would get their fair share of the market. Now apparently this is what is going to be happening now again. We will be allocating certain amounts, certain quotas to different people.

Now the question and the problems that many of these younger people and the people that just got into the dairy business are concerned about - for instance, some of the people that have produced now for roughly five or six months - and when you take the amount that they will be allotted under the system of allotting quotas, they want to make sure that the 12 months' production is taken into consideration.

The other thing is, and I think the Minister mentioned it in his few comments briefly before, is that a fair number of them have expanded. They've either taken in partners, and in my particular area as the Minister is probably aware of, very often a father hands down the dairy business to his sons. I have fairly large dairy industries in my particular riding, and what they've done is they have either taken in another brother or they've taken in another partner, and of course the concern that they have right now is that if they are going to be cut down from not only their present position but from their 20 percent increase it could mean a 30 percent drop on what they were producing before, and of course this is of great importance to them.

Also, as I mentioned before, the people that just got into it were encouraged to do so, and some of them have very substantial government loans with regards to the herds that they have bought. The other thing, of course, that has happened overnight with the limitations put on our butter fat quota as far as the Federal Government is concerned, is the price of dairy cattle has just dropped drastically the last little while. I think in the last two months we've dropped from - a six, seven-hundred dollar cow has dropped to \$250 now, you can buy him . . . it's hard to almost give them away in the auction sales now because nobody wants to pick them up.

Now I would like to have the Minister explain some of the formulas that they will be using as far as establishing certain quotas for the different people. Will people that just got into the dairy industry and have fairly substantial loans receive preferential treatment over the old established ones? Will the old established ones then lose a certain amount of their quota? In other words, because of the increase that this government has been asking for, will the established producer suffer a cut in his quota allotment?

The other thing that I would also like to know is that the 14 million pounds of butter fat which the Minister mentioned, is that a firm figure? Will he be trying to negotiate a higher figure for the milk producers of Manitoba and thereby try and maintain a higher quota for the people that are involved in the business?

The final question is, if the Minister could confirm that people that will be producing surplus milk, that will be producing over their quota, some of the figures thrown around, they could be cut . . . for that surplus milk they could be cut as much as \$5.00 to \$8.00 per hundredweight, and I would wonder if the Minister could confirm that figure. But basically if he could give me an indication of what is really going to happen as far as the allocation of the different quotas, I'd appreciate it because there's a lot of people that are really concerned in my area and I've been receiving a lot of phone calls about it.

MR. CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: I think, Mr. Chairman, with respect to that last comment on the part of the Member for La Verendrye, he's referring to considerations of national dairy policy where they have indicated there may be substantive reductions on subsidy based on over-production in any given province. So that his point relates to federal policy which is yet unclear, and as he will appreciate, the new dairy year is April 1 and we hope to have some clarification and some input between now and April 1 as to what the federal dairy policy is going to be so that we can make our adjustments to whatever they have to be provincially.

On the other point, what are we going to do if we find that we are in a position of having too much new production coming on stream, or expanded production on the part

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(MR. USKIW cont'd) of those who are already in the dairy business. That is something that has yet to be determined and the Milk Producers Marketing Board and the Manitoba Marketing Board, which is the supervisory agency, are setting up a meeting to discuss the ways and means of quota allocation of whatever is necessary to be done pursuant to any clarification that we get from Ottawa as to what their position is going to be for April 1. So it hasn't gelled yet but it's in the various stages of discussion. I'm not in a position to be more definitive at the present time.

MR. CHAIRMAN: The Honourable Member for Minnedosa.

MR. BLAKE: Mr. Chairman, there's just one or two questions I'd like to have the Minister answer before we leave the Animal Industry Branch. He mentioned earlier in his remarks of some revolutions that were taking place in the industry and it's about a year ago when there was almost a revolution in this particular industry in connection with the AI business. I wonder if he might just briefly comment on the health of the AI industry at the present time.

MR. CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: Well, Mr. Chairman, I'm not aware of anything at this present time that is of concern to any person or groups of people with respect to existing policy. The Member for Minnedosa may not be aware as to the program in effect but there is an incentive for the using of AI services provided by the department through subsidy on services, that is on the part of the technicians and so on. So that it has, as I understand it, been working very well and we haven't had any negative comment now for several months. So I'm not aware whether the member has anything specific in mind or . . .

MR. BLAKE: The Minister, Mr. Chairman, might comment on the supervising board. Are they now elected or are they appointed members of that board, and if they're elected, who is eligible to vote on the elections and how many are elected and how many are appointed now?

MR. USKIW: I should point out to the Member for Minnedosa that the department is largely running the program, and we have the board which of course makes a decision, but the department carries out the function. But if you will notice the bill that was distributed here this afternoon with respect to the animal industry, Animal Husbandry Act, there are provisions to more formally transfer that role to the department and to provide for an election of an advisory board. So I think it would be more properly debated when that bill is before the House. --(Interjection)-- Well the intent is that the users would be entitled to elect district representatives to the advisory board.

MR. CHAIRMAN: The Honourable Member for La Verendrye. The Honourable Member for St. James.

MR. MINAKER: Thank you, Mr. Chairman. Through you to the Minister, I was very interested when the Minister mentioned that his department or the Department of Agriculture had set up a fairly efficient monitoring service to know when quotas were not up to par with different producers and that they could be transferred around, or if they were in touch, how much milk was being produced from day to day. I wonder if the Minister could advise - is his department still capable of monitoring in this fashion and able to advise in advance the amount of milk that will be produced in our province?

MR. CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: Well again, I . . . Mr. Chairman, the Member for St. James perhaps doesn't know the function of the Producers Marketing Board, which is now at least one third elected, that is their function. They are in charge of administering the Market Share Agreement and the allocation of quotas falls under their jurisdiction. It's strictly a producer board, one third of which are now elected, and it is not necessarily governmental policy that would apply there. But they have that responsibility pursuant to the agreement that we have with the Canadian Dairy Commission.

MR. MINAKER: Well then, Mr. Chairman, through you to the Minister. Could the Minister advise if the Milk Producers Marketing Board has taken on this similar monitoring service and is able to predict the amounts of milk that will be produced from day to day and can predict what's going to be produced in the coming year or the month?

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MR. USKIW: Mr. Chairman, I would think that they are in a position to know almost precisely what to expect on a day to day, month to month, and even a year in advance, fairly precisely they are in that position, in that producers have to register with them. Milk cannot be marketed without them or without going through the Board. The producer has to market through that agency, so that there's no way the Board would not know the intentions of producers. That is the only way they can get a licence to produce milk, is through the agency.

MR. MINAKER: Well, Mr. Chairman, on the same subject then. Would the Marketing Producer Board also know what the consumption would more or less be from day to day in needs of milk by the consumer?

MR. USKIW: The Board has at its disposal a substantial staff input that monitors this on a day to day basis and can project and do project for the consideration of the Board. The plants within the province are fairly co-operative in that sense, they do provide the information to the Board as well, so that they have a complete overview of the industry at hand on a pretty well day to day basis. They can project fairly accurately, yes.

MR. MINAKER: Mr. Chairman, then I wonder if the Minister can advise was . . . I know he had mentioned last year that I think there was something like 240,000 pounds of surplus milk for that period of that year that was separated and had to be dumped. I wonder if the Minister could advise, were there similar circumstances occurred in the past year as far as milk that was separated or milk that maybe was transferred out of the province - would he have these figures available?

MR. USKIW: Yes. In the month of January, the figure on separation is 96,000 pounds of milk separated in the month of January. Now I think I should tell the Member for St. James that our big problem period is in the spring, well from early spring on to mid summer where our peak supplies come on the market, and we are going to be faced with serious difficulties there, given the fact that we don't have adequate plant capacity in this province in that connection to handle the peak load, and certainly it's going to require perhaps greater co-operation on the part of the plant owners to facilitate the total throughput in those critical high production months.

There's also the need for - and I think it's accurate to say we've used this facility as well, this is not new, but from time to time milk is shipped in to the Province of Saskatchewan for processing because of the inability of the existing plants in this province to handle the total volumes during peak production periods.

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, the Minister indicated that what the separated quantity was for this month, last month of January. Would you have last year's figures from January to December on the separated quantities as well as those that were transferred out of province?

MR. CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: In January of '75 there was none. In February there were 7,000 pounds --(Interjection)-- Of '75 separated milk, yes. In March, 102,000 pounds; in April, 86,000 pounds; in May, 93,000 pounds; in June, and this indicates the point that I just made a moment ago, 501,000 pounds; in July, 332,000 pounds; in August, none at all; in September, 113,000 pounds; nothing in October or November; and 327,000 pounds in December of 1975.

MR. MINAKER: Mr. Chairman, I wonder if the Minister could advise . . . I understood him that these were separated quantities. Was there any quantities of milk that were transferred out of the province during those periods of surplus milk?

MR. USKIW: I believe there was more than one occasion where some milk was shipped to Yorkton, but I don't know how often during the course of a year.

MR. MINAKER: Mr. Chairman, if the Minister could check. I have some figures that in June there was something like 439,000 pounds transferred out of the province, and in July there was 407,000 pounds transferred out of the province, and in August 43,000 pounds transferred out of the province. I wonder if the Minister could advise, this milk that was transferred out of the province, would the producers get the

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(MR. MINAKER cont'd) \$8.21 per hundred weight, or would they get the value that the Province of Saskatchewan pays for their fluid milk?

MR. USKIW: Well, of course the milk marketing board pools the total returns to the producers so that the producers are paid an equal amount regardless of how the milk is apportioned out at different price levels. So it has no actual effect on the producer.

MR. MINAKER: I wonder, Mr. Chairman, if the Minister would advise, is the Province of Saskatchewan the purchasing body that buys milk for the province? Does it have the same level, the \$8.21 per hundred weight, or is it somewhere around \$6.60 per hundred weight, in Saskatchewan?

MR. USKIW: Well, of course the Province of Saskatchewan is not in the milk business as I am aware. It's largely a co-operative enterprise in that province. It would depend on the end utilization of that milk product that is to determine the actual price received for the milk. It depends on the plant that bought the milk.

MR. MINAKER: Yes, Mr. Chairman, I wonder if the Minister would advise, would the Milk Producers Marketing Board pay for the transportation costs to transport that milk to Saskatchewan?

MR. USKIW: It would depend on the reason for the diversion. I believe there may have been an instance or two where there was a plant breakdown or some problems with respect to a plant that would normally utilize that milk, and if it was that kind of a situation, I would assume, and I would have to check this to be accurate, but I would think that the Milk Marketing Board may have entered into some arrangement to have the plant pay for all or part of those costs. But it would depend on the reason for the diversion itself.

MR. DEPUTY CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Yes, Mr. Chairman. I wonder if the Minister could advise if he is aware of any of the milk processors in Manitoba requesting the opportunity to purchase surplus milk, provided that they could have advance notice that they would have that surplus milk made available to them. My understanding from the Minister now, that the Milk Producers Marketing Board has the ability, if I understood him correctly, to predict far in advance that there would be surpluses in January and July, and so forth. Has any processors in Manitoba approached the Milk Producers Marketing Board requesting that they have the opportunity to have this surplus milk so that they could go out for contracts today rather than have a two-day notice?

MR. DEPUTY CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: Well, I don't think that it's always possible, Mr. Chairman, to fine tune it that much. I suspect that the processors do discuss these problems with the Producer Marketing Board. At least I'm not aware that they haven't got together on this point, so that I don't see a problem in that respect.

MR. MINAKER: Mr. Chairman, if I could ask the Honourable Minister if the Milk Producers Marketing Board can predict when the surpluses are going to happen, if the processors are interested in purchasing this milk if they know in advance, far enough in advance, so they can go out and get contracts for cheese production, and so on, why then have we got something like - it looks like we're in the order of some 2.5 million pounds of surplus milk going out of our province; and if I understand the process correctly that the milk that's sold in Saskatchewan is not sold at the same level in price as they would get here locally, and they would be involved in transportation costs, why then aren't the local processors having the opportunity to make use of this surplus milk and go out for contracts?

MR. USKIW: Well, Mr. Chairman, I am sure that the Milk Producers Marketing Board is trying to get the best return for their milk producers and whatever the combination of arrangements that have to be entered into to bring that about, I'm sure that they are pursuing that course of action.

I don't know what the Member for St. James is trying to suggest, whether he has any particular instance in mind or where he thinks that there was some decision made that was not in the interest of the industry in Manitoba or the producers in

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(MR. USKIW cont'd) Manitoba. I'm not aware of such an occurrence.

MR. MINAKER: Well Mr. Chairman, I have had the chance to speak to several processors and they have indicated the desire to purchase this surplus milk if they would be advised in advance that they could have it. Now, I've been told by the Minister that the Milk Producers Marketing Board is capable of predicting with some accuracy when these surpluses will occur and how much the surplus will be, yet they cannot get the opportunity to get a contract with the board to purchase this surplus milk. I would like to know why? The other interesting point is, and I hope that the Minister would correct me if I'm wrong, my understanding last year when we talked on this subject that the surplus milk involved for the last year was somewhere in the order of a quarter of a million pounds, and at that time the Milk Producers Marketing Board did not have the authority to shuffle the milk around to different processing plants, and within a year's time it's gone up to some 2.5 million, and it increased by some ten times the surplus milk. One starts to wonder, does this show the efficiency of centralization of authority that, what can we expect next year if there's further centralization of the milk producing and processing industry.

MR. USKIW: The fact, Mr. Chairman, that there is more milk available than plants can process in a given day has nothing to do with centralization of authority. It is a simple fact of having more milk on the market than what the industry is capable of handling. So that, you know, it is ridiculous to assume that the Milk Marketing Board would not want to optimize its opportunities on behalf of its producers. That is an assumption that is ludicrous. So that if there is an opportunity that the processing industry may offer the Milk Marketing Board, I'm sure they would seize on it. I'm sure they don't enjoy shipping milk to Saskatchewan if they incur extra costs or if the prices are not as good. I'm sure they don't enjoy separating milk and having to dump the skim. They would prefer to get paid for milk, not just for the butterfat content of milk. Therefore, I am positive that the board is pursuing those problems very aggressively.

Now, again, that is part of the day to day operations of the Milk Board, it is not something that is handled by the Department of Agriculture. The only time that we are apprised of a situation is where the milk board or the Manitoba Marketing Board becomes involved, and where there is some problem which requires some governmental direction or intervention or support, but essentially they are a pretty autonomous organization. They are working on behalf of milk producers of this province. That is their function. They're no different than any other corporation which may be private in nature.

MR. DEPUTY SPEAKER: The Honourable Member for La Verendrye.

MR. BANMAN: Thank you, Mr. Chairman. You know, Mr. Chairman, I think the last ten minutes here have been more revealing than the whole evening. We've been sitting here listening to different things and finally we're getting some questions answered. I think the thing that bothers the members on this side of the House is, we're entering into the Crocus Food area, we're fringing that very very closely. And we get the Minister saying that we have not got adequate facilities in Manitoba to process the milk that we have, in other words, that we're short of processing facilities. Now this, of course, plays automatically into his idea of Crocus Foods.

Now, I would ask the Minister to read his Manitoba Department of Agriculture Annual Report 74-75. In his own report on Page 24 it says and I will read from the report: "Nine industrial milk plants, thirteen fluid milk plants, and twenty-four creameries were operating in the province in 1974. There is sufficient production capacity to process additional amounts of milk in Manitoba."

A MEMBER: Who signed that report?

MR. BANMAN: Well, I don't know. No, he hasn't signed it. He just put his picture in it.

Well the Minister often wonders why there's a certain amount of skepticism about different policies that he wants to implement and I daresay that here is an

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(MR. BANMAN cont'd) example which leaves the opposition quite baffled, and I think when the department comes out with a statement, a clear cut statement, in their Annual Report and the Minister more or less contradicts his own Annual Report, I think it leaves some room for doubt of what specific direction this government is taking with regard to Crocus, with regard to the whole dairy industry.

MR. DEPUTY CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: I think it should be appreciated, Mr. Chairman, that we have had an increase of some 30 million pounds of milk production just in the last ten or twelve months. So that the Member for La Verendrye is dealing with figures that are a year old.

The whole intent of the dairy policy of this province pursuant to the signing of the Market-Share Agreement was to bring, not only the increase that occurred last year in total milk production, but a further increase of another - How many million pounds are we still to go on market-share? I can't recall the figure, but there is still a substantial amount remaining had the Government of Canada not reversed their policy as of the last couple of months. But another hundred million pounds of milk was yet to be produced pursuant to that agreement. So that there is indeed, if that were the case at least, if we were entitled to fulfill that agreement, then there would be certainly a need for a very substantial expansion of plant capacity.

MR. BANMAN: Well, Mr. Chairman, further to that then. I wonder if the Minister could then inform me why certain applications of certain processing facilities in Manitoba have not been receiving an okay from the government to go ahead and expand their existing operations, and I refer specifically to one in my constituency, namely, New Bothwell. They want to expand their . . . They have had an application in with the Minister from last April I understand, and they haven't had any word as far as their proposed expansion is concerned.

But I'd just like to point out to the Minister that there is a significant production, there is sufficient production capacity to process additional amounts of milk in Manitoba. That's what the report says.

MR. USKIW: Mr. Chairman, I don't believe that we have ever had an application from the New Bothwell plant for a licence to expand that facility. I'm not aware of an application, and if the member would submit to me a copy of that application, I would be prepared to research it and give him a reply. But I am not aware of any application from New Bothwell for expansion purposes.

MR. DEPUTY CHAIRMAN: The Honourable Member for Rock Lake.

MR. EINARSON: Well, Mr. Chairman, pursuing on this subject. Is there not a plant in Winkler and operated by MANCO, and I would like to ask the Minister has MANCO requested permission to build a new plant in Winkler? I'd like to ask the Minister if MANCO have a plant in Winkler. Have they made application to build a new plant in Winkler?

MR. DEPUTY CHAIRMAN: The Honourable Minister of Agriculture.

MR. USKIW: Yes, Mr. Chairman, that is correct. With respect to New Bothwell I have here a letter that was addressed to Mr. C.H. McNaughton, who is on the dairy board and who is our director, which deals with the question that is raised by the Member for La Verendrye. I simply want to quote a paragraph or two:

"Dear Mr. McNaughton:" and this is dated May 14th, 1975. "I would like to respond to the points that you mentioned in your letter of April 21, 1975, and the question of processing additional milk supplies.

"It is not our intention to expand our facilities beyond our current operating levels."

So I don't know what the Member for La Verendrye is trying to suggest. But I suspect that it's in the same vein that he has been trying to suggest to me over the last number of days during his questioning, and that is that he doesn't want clarification, he wants to create confusion.

MR. EINARSON: Well, Mr. Chairman, I would like to ask the Minister in regard to the Manitoba Milk Producers Marketing Board, what is the total number of members on that board, how many have now been elected by elections, and how many

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(MR. EINARSON cont'd) are still on the Board as appointed by the Minister?

MR. USKIW: There are nine members on the Producers Marketing Board, of which three have been up for election and have been elected.

MR. EINARSON: Well, Mr. Chairman that means then we still have six members of the Manitoba Milk Producers Marketing Board that are appointed by this Minister, and the reason I posed those questions, Mr. Chairman, is because I attended the first annual meeting of the Milk Producers Marketing Board last December and I heard comments, questions by the dairymen themselves that were posed with the Minister present, questions they wanted to know, what was going on in the industry. I recall one particular question that one dairyman asked the chairman of the board why it was that if they hadn't made a decision in regard to Crocus Foods, why they were still assessing the farmer five cents per hundred weight for the purpose of establishing a fund to build Crocus Foods if they hadn't decided that they were going to go into it. And if my memory serves me correctly, Mr. Chairman, I don't think any answer was forthcoming, from either the Chairman of the Board or the Minister himself. This is one area in which we are concerned, Mr. Chairman, the Minister tries to divorce himself from his own position as the Minister, and the Board itself that is operating the business of the dairy industry in the Province of Manitoba.

I would also like to know, is there a Crocus Food Board established? If so, how many members are on that board? Are by any chance the members, if there is a board, Crocus Food Board, are there any members of the Crocus Food Board that may be the same members on the Manitoba Milk Producers Marketing Board, or are there members on MANCO that may be with Crocus Food Board? I would like some information on those things, Mr. Chairman.

MR. USKIW: Mr. Chairman, if the Member for Rock Lake wants to get into the specifics of marketing boards he is going to have to wait until we reach item 7. With respect to Crocus Foods, yes, the membership on that Board is composed of some of the members of the Milk Producers Marketing Board as well as, I believe, people who are also on the Manitoba Dairy and Poultry Co-operative Board. But I think in terms of discussing marketing boards per se we should wait until we arrive at marketing, which is on the following page, Resolution 14.

MR. EINARSON: Mr. Chairman, I wonder, could the Minister expand on the one important question I asked about the five cent per hundredweight that the Board was assessing on the producers.

MR. USKIW: Mr. Chairman, that is more properly discussed under Resolution 14 because he is dealing with the activities of the Producers Marketing Board.

MR. CHAIRMAN: The Honourable Member for Birtle-Russell.

MR. GRAHAM: Mr. Chairman, I listened with great interest to the history that the Minister gave here of the dairy industry over the last 30 years, and I believe he gave us in fairly good detail some of the activities that he has entered into during his tenure of office. He did give us some figures this evening though, Mr. Chairman, that I think have been of benefit to all of us, and I refer to the figure that he gave us in milk consumption based in butterfat content where he said that in 1971, I believe it was, we had some 16 million plus pounds of production at that time. We do know that in his tenure of office that he has encouraged dairy production and has been fairly active I think in promoting other aspects in the dairy field, and at the same time he did give us his projected estimate for the current year of 15- $\frac{1}{2}$ million pounds of butterfat,

I think it is rather interesting, Mr. Chairman, that all the time that our production has been slowly declining that he did enter into an agreement and was quite successful in persuading the Federal Government to increase the quota for Manitoba; I think he got it pushed up to 20 million pounds, according to his story. However, even though he succeeded in getting the quota pushed up, the production in this province has not increased and now he is blaming the Federal Government for rolling back quota, and I think that - I'm not trying to defend the Federal Government - but I think that if after four or five years the Federal Government finds that production is not increasing in the province, they are quite justified in cutting quota back. --(Interjection)-- Well the

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(MR. GRAHAM cont'd) Minister says that that is not right, and I'm sure that he will have a chance to correct that in due course.

I think that what we are seeing here is a Minister with a program that, and I give him marks for trying to increase the dairy production in this province, I think it is a very admirable suggestion, but we find that production is not keeping pace with his ideals. He is quite urgent I think in his plans, to what degree he is going to be successful I don't know, but we do know that he has further plans for marketing, further plans for processing, and if production in this province is not going to keep pace with plans of government, then I don't know whether the government intends to develop a dairy herd of its own or not to build up that production; we do know that when the government was in the milk production industry that it wasn't too long until they sold the dairy herd, and refer there to the dairy herd that was in actual production at the Headingley Jail, but I think that at the present time the facts that have been revealed here this evening, and the plans of the Minister that have been revealed, both in the House and through the press over the last year or so, raise considerable doubts in the minds of many about whether the Minister is just building idle dreams, or whether in effect he will achieve a production in this province which will warrant and require the types of plants that he envisages, envisages for this province and for maximum utilization of the dairy production. We do know that he has some doubts in his mind. He has told us before that Crocus Foods, if and when it ever does come into production, probably will lose money for several years. Those are his own admissions.

So I think it is quite justified that we on this side ask as many questions as we can to try and elicit as much information as it is possible to obtain to make sure that the programs that are brought forward in dairy production in this province are sound and in the interests of those that are in the producing industry, as well as programs that are beneficial to the consumers. After all we're all consumers in this province and we have a responsibility to them as well that the movement of dairy products from the producer to the consumer is done with a minimum amount of cost so that the price paid by the consumer reflects as closely as possible to the price paid to the producer.

MR. DEPUTY CHAIRMAN: (Resolution 12(b)(2) to 12(d)(2) was read and passed.) Resolved that there be granted to Her Majesty a sum not exceeding \$4,207,100 for Agriculture--pass.

Resolution 13(a)(1)--pass; (a)(2)--pass; (a)--pass; Resolution 13(b)(1) - The Honourable Member for Birtle Russell.

MR. GRAHAM: Mr. Chairman, dealing with the problems of . . .

MR. GREEN: Starting on a new subject I think this would be an appropriate time to adjourn Committee.

MR. CHAIRMAN: Committee rise. Call in the Speaker.

Mr. Speaker, your Committee has considered certain resolutions, reports progress, and asks leave to sit again.

IN SESSION

MR. SPEAKER: The Honourable Member for St. Vital.

MR. D. JAMES WALDING (St. Vital): I beg to move, seconded by the Honourable Member for St. Matthews, that the report of the Committee be received.

MOTION presented and carried.

MR. SPEAKER: The hour of adjournment having arrived the House is adjourned and will stand adjourned until 2:30 tomorrow afternoon. (Wednesday)