

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.AG/21
10 March 1970

Limited Distribution

Agriculture Committee

Original: English/French

CANADA - NEW WHEAT STOCK REDUCTION PROGRAMME

The delegation of Canada has drawn the attention of the Chairman of the Agriculture Committee to the statement made by the Honourable O.E. Lang, Canadian Minister Without Portfolio, to the House of Commons, Ottawa, on 27 February 1970, on the new wheat stock reduction programme.

The Chairman of the Agriculture Committee feels that the statement would be of interest to the members of the Committee. The text of the statement is given below.

The carry-over of wheat in Canada will be approximately 950 million bushels at 31 July of this year, equivalent to nearly two years disappearance. To reach a stock position in reasonable relationship to normal sales volumes, production of wheat must be reduced substantially below sales level. The number of years during which production need be so reduced depends upon the vigour with which the problem is attacked.

Closely related to the surplus in wheat is a current shortage of cash among western grain growers. Effects of a cash shortage are evident throughout the prairies, but are particularly acute in Saskatchewan whose farmers are now carrying more than two thirds of the total stocks on farms.

Unless strong action is taken now, the prospect is for a heavy movement of acreage out of wheat and into coarse grains and oilseeds. The wheat producer is in a position in which he must attempt to increase his cash return. In large measure, this would lead to increased acreage in other crops. Our stocks' positions, particularly in oats and barley, are already high. A further increase in acreage in these crops this year would result in burdensome surplus and lower prices for these products. This would create extreme difficulties for producers whose incomes normally depend upon sales of these crops.

In oilseeds there is reason to believe that some increase can be accommodated without serious effects on prices and delivery levels available to producers. Indications are, however, that rapeseed acreages will be increased sharply this year to the point where surplus in this crop appears a likelihood.

We recognize that long-term adjustment programmes are needed and the Government is hard at work on these. In the meantime, we are faced with a serious wheat surplus situation that must be relieved quickly if we hope to prevent this problem from seriously injuring the whole agricultural industry.

Producers on their own initiative reduced wheat planting by 5 million acres in 1969. However, the current income and cash position of prairie grain producers make it unrealistic to expect that producers would reduce plantings to a desirable level in 1970, bearing this further major adjustment without direct government assistance.

Government leadership is necessary if adjustment is to take place without creating more serious problems, not only for wheat farmers but for farmers throughout Canada, and by extension for the whole economy. Whatever government action is taken the weight of the adjustment must be borne by wheat producers themselves ... and I believe they will accept the need to make the adjustment.

The Government proposes to implement a programme to reduce wheat acreage and to encourage farmers in the Wheat Board designated region to hold this land out of production of any crop this year. I have discussed this programme fully with the leaders of farm organizations in Western Canada and in many respects the programme as it is now proposed has been improved by the adoption of their recommendations.

The proposed programme is as follows: producers in Wheat Board designated region who reduce wheat acreage below 1969 levels and increase summerfallow or perennial forage by the same amount will receive federal compensation payments of \$6 per acre for additions to summerfallow or \$10 per acre for additions to perennial forage acreage. Partial payment will be made before the end of July and the balance will be paid in the fall of this year.

Compensation payments will be available to a maximum of 22 million acres of additional summerfallow and 2 million acres of additional perennial forage. A maximum of 1,000 acres for any individual producer will be eligible for compensation payments.

The actual cost to the Government of the programme, which will be administered by the Department of Agriculture, is estimated at \$100 million.

Wheat delivery quotas for 1970-71 crop year will be based on the total of: (a) 25 per cent of summerfallow acreage as stated on the producers 1969 permit book; (b) total acreage in summerfallow in 1970; and, (c) the amount by which acreage in perennial forage in 1970 exceeds the acreage in perennial forage in 1969.

Quotas for oats, barley, soft spring wheat and other crops to which delivery quotas apply will be based on acres seeded to each crop in 1970. In addition, any producer may choose to allocate any or all of his acres qualified for wheat quota to any other crop instead of wheat.

This programme will provide needed income to hard-pressed grain growers and encourage them to dispose of wheat stocks already piled up on their farms. It will allow farmers to cut back drastically on wheat acreage while at the same time discouraging the wholesale switch to other crops.

A sharp reduction in wheat stocks will greatly enhance the continuing effort to strengthen international wheat prices. Foreign buyers are not willing to pay top prices when they know we are sitting on a mountain of grain. If farmers get behind this programme and support it to the fullest, as I am sure they will, the cash position of grain producers and the whole prairie economy will be substantially improved this fall.

This major initiative in reducing wheat stocks provides a unique opportunity for moving forward toward co-ordinated global programmes of production policies for grain. The benefits from the new Canadian programme will extend well beyond Canada to the world wheat economy. Governments of other exporting nations are similarly preoccupied with the problems of surplus production, some have programmes in place or are examining new ones designed to minimize problems. This initiative in Canada, which represents a new and much stronger attack on the problems of surplus production, should add impetus to international efforts to stabilize the world grain economy.

In order that this opportunity should not be lost, I have proposed to the Governments of Australia, Argentina, and the United States, and to the Commission of the EEC, that a meeting be held at ministerial level to review the Canadian programme and consider complementary action which might be taken by others designed to compound its benefit internationally. I am confident that these governments will agree to participate in an early meeting and I am hopeful this will mark a turning point in our efforts to rationalize the world grain situation.

In the meantime, every effort is being made to increase export sales. Increased food aid shipments and more attractive credit facilities have assisted the Canadian Wheat Board in attaining sales that will reach 375 million bushels this year, greater than any year save one in the history of the Board from 1943 to the year of the first major purchase by the USSR in 1963.

With the successful completion of this major reduction programme, market forecasts indicate that Canada will be able to return to a level of production in the area of 20 million acres. Additional measures will be required in 1971 to assure that production does not exceed acceptable levels.