

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/3E/DOC/2/Add.20

4 October 1974

Special Distribution

---

Multilateral Trade Negotiations

Original: English

GROUP 3(e) - BASIC DOCUMENTATION

Agricultural Policies

Addendum

CANADA

## AGRICULTURAL POLICY AIMS AND OBJECTIVES

Under the Canadian system of Government, responsibility concerning agriculture is shared between the Federal and provincial governments. Federal authority regulates international and inter-provincial trade, while intra-provincial trade is under provincial regulation. The Federal Government's activities have been primarily in the fields of research, price policy, credit and market regulation. Provincial governments are concerned primarily with farm extension work, education and marketing boards. However, there are important areas where joint federal-provincial programs have been implemented, particularly in the field of agricultural adjustment and rural development.

The broad philosophical approach to agriculture in Canada has been that the Federal government should provide the economic and legal framework and institutions for the self-development of farmers and the agricultural sector. This implies a minimum of direct government intervention, production as related to markets, and programmes designed to reinforce market requirements. The dependence of Canadian agriculture on international markets and the policy induced distortions to which these markets are subject, requires a considerable emphasis on stabilization measures in Canada's agricultural policy.

Viewed in terms of the development of the agricultural sector and those most directly dependent on it, the objectives of Canadian agricultural policy are:

- (a) the expansion of agricultural production, including processing industries, based on competitive advantage and commensurate with the development of domestic and export markets;
- (b) the promotion of greater stability, to foster competitive advantage through continuity of supply, to facilitate planning and reducing the burdens of uncertainty in financing, and for the purpose of farm family income maintenance;
- (c) facilitating adjustment to economic and social change to assist farm and rural families to attain their income aspiration, by encouraging the expansion of small farm businesses into commercially viable operations and contributing to the development of rural communities.

In terms of food policy the aims and objectives include: (i) an adequate and dependable supply of quality food for a growing domestic population enjoying a rising standard of living, (ii) prices which are reasonable for consumers, in not requiring an under proportion of income to secure a sufficient and balanced diet, and for producers, in providing a return adequate to encourage production of food items which can be economically and efficiently produced in Canada, and (iii) a continuing supply and increasing production of those food products in which Canada has a competitive advantage for export to commercial markets, and also for a contribution to international food aid programs.

## POLICIES AFFECTING AGRICULTURAL TRADE

Given its position as a major exporter and importer of agricultural products, Canada has been a strong supporter of international efforts to foster the expansion and ever greater liberalization of world trade. This commitment has been exemplified by Canada's long standing support of the GATT and its participation in many international commodity arrangements.

In Canada's view, the current round of multilateral trade negotiations should aim at a significant improvement in the terms of access for agricultural exports resulting in a greater role over time for comparative advantage and increased stability in international agricultural trade. Canada welcomes the fact that the Tokyo Ministerial Declaration excludes no trade barriers from the negotiations and that they will cover tariff and non-tariff barriers and other trade restricting or distorting measures in both the agricultural and industrial sectors.

### (A) IMPORT MEASURES

#### I. Tariffs

The primary instrument of protection for Canadian agriculture is the tariff. Approximately half of Canada's agricultural imports entered free of duty in the calendar year 1970. These included virtually all of the "complementary" commodities (ie. those not produced commercially in Canada, such as coffee, cocoa, tea, rubber, cotton, fresh citrus fruits, etc.). Duties on the rest are largely specific; their ad valorem equivalent averaged less than 9 per cent in 1970. The average rate of duty for all agricultural products imported (free and dutiable) was less than 5 per cent in 1970.

The Canadian tariff is essentially a three tiered tariff. The lowest rate is usually afforded to those countries eligible for British Preferential (BP) entry. The next highest rate is the Most Favoured Nation tariff which is extended to contracting parties of the GATT and to those countries which Canada has exchanged MFN treatment on a bilateral basis. The highest rate is the General Tariff which is limited to a very small number of countries with which Canada has no trade agreement. In addition, there are a number of agricultural commodities which are subject to a special preferential rate of duty as a result of historical bilateral trade agreements, eg. with Australia, New Zealand and South Africa.

With the exception of certain fresh fruits and vegetables dutiable agricultural imports are liable to a fixed specific or ad valorem tariff, throughout the year. In the case of fresh temperate fruits and vegetables, a fixed specific tariff is normally applied during the Canadian marketing season: otherwise imports enter free of duty or at 10 per cent ad valorem.

## II. Import Licensing

### Canadian Wheat Board

Under the Canadian Wheat Board Act all imports of wheat, wheat flour, oats and barley require import permits from the Canadian Wheat Board.

### Export and Import Permits Act

Agricultural imports may be placed on the Import Control List to inter alia "implement any action taken under the Agricultural Stabilization Act, the Agricultural Products Cooperative Marketing Act, the Agricultural Products Board Act or the Canadian Dairy Commission Act to support the price of the article or that has the effect of supporting the price of the article.

Historically, import licensing requirements have been limited to certain dairy products. At the present time, the following dairy products are on the Import Control List: butter, butterfat in any form, cheese of all types, evaporated and condensed milks, dry skim milk, dry whole milk, casein and caseinates, dry whey and animal feeds containing more than 40% of non fat milk solids. In actual practice permits are issued freely for natural cheese other than Cheddar and Colby for direct consumption, traditionally imports of processed cheese, and casein for industrial use. Import permits have been issued for butter when domestic butter production was inadequate to meet domestic requirements (in 1973 nearly 63 million pounds of butter were imported),

The Government recently amended the Export and Import Permits Act to provide enabling authority for the use of import permit controls to support national supply management programs.

## III. Emergency Action (Surtax)

Authority is provided in the Customs Tariff Act to levy a surtax on imports which are entering Canada under "such conditions as to cause or threaten to cause serious injury to Canadian producers of like or directly competitive products". The use of this action is limited to 180 days unless extended by Parliament. The enabling legislation was passed in 1969 and since that time surtax has only been implemented on three occasions: ie. against fresh and preserved strawberries, sweet cherries, and live cattle and beef. In each case, the surtax was in place for less than six months.

## (B) EXPORT MEASURES

### (i) Export Aids

Export subsidies have not been used to any significant extent in Canada. Export subsidies have been used from time to time for selected dairy products, primarily skim milk powder. However, dairy export subsidies are financed by a "holdback" on direct subsidy payments to manufacturing milk producers. Thus, any increase in dairy export subsidies is reflected in lower direct subsidy payments to producers. In the fiscal year ending March 31, 1972, the total cost of dairy export subsidies amounted to \$7.4 million.

The Canadian Wheat Board finances export sales by issuing loans for three years or less at competitive rates of interest. These loans are guaranteed by the Federal Government. In addition, the Export Development Corporation facilitates sales to developing countries by issuing loans of more than three years duration at concessional interest rates. In the crop year 1972/73 credit sales of wheat and wheat flour accounted for 200 million bushels of wheat and flour equivalent.

(ii) Export Controls

Agricultural exports may be subject to export licensing under the enabling provisions of the Export and Import Permit Act in order to inter alia "ensure that there is an adequate supply and distribution of such articles in Canada for defence or other needs". A recent amendment to the Export and Imports Act also provides enabling authority for the use of export permit controls "to ensure that action taken to promote the further processing of a natural resource that is produced in Canada is not rendered ineffective by reason of the unrestricted exportation of such a natural resource".

## FEDERAL EXPENDITURES FOR AGRICULTURAL ASSISTANCE

Expenditures by the Federal Government for agriculture are shown in Table 1. Part I of the table includes the complete budget of the Canada Department of Agriculture, which contains expenditures for administration, research, health of animals, etc., as well as assistance programme expenditures. Part II contains expenditures for agricultural programmes which are funded by other Departments (Ministries) in the Federal Government.

The programs of the Canadian Dairy Commission account for the greatest single expenditure, although there are a number of programs in the cereals area which total \$100 million or more in some of the years. Expenditures for social adjustment and rural economic development have increased rapidly during the last five years illustrating the government's concern in this area. Finally, the federal government's expenditures on research has been steadily in the \$50 million range.

### B. ACTIVITIES OF THE AGRICULTURAL STABILIZATION BOARD

#### 1. General

The Agricultural Stabilization Act, which is administered by the Agricultural Stabilization Board (ASB), is the basic commodity price support legislation. The Canadian Dairy Commission administers price policies for milk and cream destined for manufacturing purposes, and is funded through the ASB. The Canadian Wheat Board is responsible for the marketing of prairie grains. It is convenient to discuss separately the activities of the ASB, Canadian cereals policies, and Canadian dairy policies.

It is important to note that the general principle underlying commodity price support programmes in Canada is to protect producer returns from severe price declines, while permitting the market system to determine the commodity prices.

The Agricultural Stabilization Act of 1958 amended the Agricultural Price Support Act of 1944 and established the Agricultural Stabilization Board. The Board is "...empowered to stabilize agricultural product prices and assists the industry in realizing fair returns to labour and investment...". The Act provides that the Board must support, at not less than 80% of the previous ten-year average market or base price, the prices of nine commodities - cattle, hogs and sheep; butter, cheese and eggs; and wheat, oats and barley produced outside Wheat Board jurisdiction. Eighteen other products have been supported at various times. Major changes in the Act, designed to provide farmers with greater assurances of market and price stability, are being considered in 1974. The cost of stabilization activities under the Act has averaged about \$88 million annually which is drawn from a revolving fund of \$250 million. Losses are financed through Parliamentary appropriations. Information on commodities supported, including support levels for 1971/72 and payments made for that year is provided in Table 2. Total expenditures were \$118.6 million.

TABLE 1 - FEDERAL EXPENDITURES BY THE DEPARTMENT OF AGRICULTURE AND  
 AGRICULTURALLY-RELATED EXPENDITURES OF OTHER FEDERAL DEPARTMENTS

	1968-69	1969-70	1970-71	1971-72	1972-73
- million dollars -					
<u>Agriculture Canada</u>					
Administration	6.3	6.6	7.1	8.3	10.5
Economics	1.4	2.0	3.9	6.7	7.1
Research	45.3	45.9	47.8	50.7	54.3
Production and Marketing					
Administration	19.0	21.3	20.0	21.8	25.4
Grants, Subsidies	21.4	10.2	5.8	16.1	27.7
Transfer to Canadian Dairy Commission	134.8	131.9	125.0	109.0	107.4
Payment for LIFT & Grassland Incentive Program <u>2/</u>	--	--	57.6	15.5	15.6
Crop Insurance	4.8	4.7	3.8	4.0	5.2
Health of Animals					
Administration	18.1	20.7	23.5	26.5	29.8
Grants, Subsidies	1.5	0.9	0.5	0.8	0.6
Canadian Grain Commission	11.0	9.6	10.7	13.0	15.1
Farm Credit Corporation	6.0	8.7	8.6	8.8	8.4
Feed Freight Assistance	18.2	22.1	20.8	20.6	21.4
Canadian Dairy Commission					
Administration	0.3	0.4	0.4	0.5	0.7
Total Agricultural Expenditure	288.1	285.0	335.5	302.3	329.2
<u>Expenditures of Other Departments:</u>					
Regional and Economic Expansion					
Social Adjustment and Rural Economic Development <u>1/</u>	46.0	54.3	61.5	73.4	83.5
Industry Trade & Commerce					
Temporary Wheat Reserve Act <u>3/</u>	48.9	66.3	23.7	85.3	21.9
Prairie Grain Advance Payment	2.6	13.0	11.6	3.5	1.0
Canadian Wheat Board Losses	7.1	40.0	18.3	11.2	--
Allocation for Two Price Wheat <u>4/</u>	--	9.3	--	65.5	68.6
TOTAL	104.6	182.9	115.1	238.9	175.0
GRAND TOTAL	392.7	467.5	450.6	541.2	504.2

Source: Gov't of Canada, Public Accounts and Agriculture Canada.

1/ Includes payments under ARDA, MMRA, PFRA and FRED.

2/ LIFT Program only in effect for 1970-71. Grassland Incentive Program discontinued at end of the 1972-73 season.

3/ Temporary Wheat Reserve Act discontinued effective August 1, 1973.

4/ Producer subsidy up to September, 1973, thereafter consumer subsidy.

**TABLE 2 - SUPPORT PRICES AND COSTS FOR COMMODITIES UNDER PROGRAMMES OF THE AGRICULTURAL STABILIZATION BOARD, 1972/73**

Commodity Supported	Unit of Measurement	Prescribed Minimum Price	Net Cost During Year (\$'000)
<b><u>Mandatory</u></b>			
Wheat <sup>a</sup>	bushels	\$ 1.52	0
Barley <sup>a</sup>	bushels	\$ 1.02	0
Oats <sup>a</sup>	bushels	\$ 0.60	0
Hogs <sup>b</sup>	100 lbs.	\$23.28	\$ 7,814
Cattle <sup>c</sup>	100 lbs.	\$21.52	0
Lambs <sup>c</sup>	100 lbs.	\$18.64	0
Eggs <sup>c</sup>	dozen	\$ 0.288	0
Butter, cheese: see dairy policies section			
<b><u>Designated</u></b>			
Apples			\$ 106
Potatoes <sup>d</sup>			873
Blueberries			22
Carrots			24
Flowers			30
Fowl <sup>e</sup>			2,305
Rutabagas			10
Transferred to Canadian Dairy Commission			\$107,400
<b>Total Net Costs</b>			<b>\$118,600</b>

<sup>a</sup>Outside the area designated by the Canadian Wheat Board Act. Market prices above prescribed minimum.

<sup>b</sup>Costs relate to hogs delivered for slaughter in 1971. Payment of \$5 per hog up to a maximum of 200 hogs of grades index 100 and up per producer.

<sup>c</sup>Market prices above prescribed minimum.

<sup>d</sup>Offer to purchase, minimum of 200 cwt./maximum of 1333 cwt., Canada no. 1 grade per producer, initial payment 75 cents per cwt. plus 75 cents per cwt. on delivery. Payment in 1971/72 for this support programme was \$955,000.

<sup>e</sup>Program to remove hens from laying flocks for the purpose of increasing producers' egg prices. Payment was 75¢ for each fowl slaughtered during the period June 5 to June 27, 1972, on receipt of evidence acceptable to the Board.

Source: Annual Report of the Agricultural Stabilization Board 1972/73.

In 1971/72 prices for hogs, eggs, and potatoes were at historically low levels and the ASB made substantial payments to producers of these commodities. In addition the import surcharge instituted by the U.S. in August 1971, intensified these problems, and also required ASB payments to reduce the impact on producers of a number of fruit and vegetable products.

## 2. Pork Programmes

Hogs are one of the named commodities under the Agricultural Stabilization Act. From 1960 through 1970, market prices remained above support levels, and no deficiency payments were made.

The phasing-out of the Federal Government's hog quality premium programme was completed in December 1970. The new index-grading system, which came into effect in January 1969, automatically provided an incentive in the pricing mechanism for carcasses grading more than an index of 100. Consequently the premium was phased out. An average of \$7.1 million was spent annually for hog quality premiums during the 1960's.

In 1971 hog slaughter set an all-time high of 11.5 million head and returns to producers dropped sharply below the 1970 level. In order to help improve producer incomes, the Federal Government announced a \$24 million deficiency payment programme to pay \$5 per animal on hogs having a carcass quality index of 100 or better up to a maximum of 200 hogs per producer. No payments were made for hogs grading below 100.

## 3. Poultry Programmes

In recent years the poultry industry has been plagued with over-production problems in meat and eggs. The control of the Canadian poultry industry is in the hands of the provincial marketing boards and the newly created national marketing agencies for eggs and turkeys. About 15% of all marketing boards deal with poultry. From time to time the ASB has purchased eggs in order to maintain producer prices and incomes. The latest purchase was in 1971 when 50,000 cases were bought for \$200,000. These purchases ultimately were utilized as food aid. In June 1972, the ASB paid producers \$2.3 million for hens removed from the laying flocks.

Poultry meat production also has posed surplus problems in recent years. In February 1971, the Federal Government authorized export subsidy payments for shipments of 1,360 tons of Quebec broiler meat. In late 1971, 1,800 tons of eviscerated turkey meat were purchased by the ASB and the Federal Government authorized a maximum loss of \$400,000 for the purchase, processing and sales of the meat. These purchases were subsequently donated as part of Canada's food aid program.

#### 4. Potato Support Programme

During 1971/72, the Agricultural Stabilization Board offered to purchase bagged potatoes at \$1.50 per cwt. from farmers in the Maritimes in an effort to boost prices and incomes. Each farmer was allowed to sell up to 1,333 cwt. to the Board to receive the maximum payment of \$2,000. Purchases were made until February 1972. This measure also was introduced to offset the effects of the temporary US import surcharge.

### C. CANADIAN CEREALS POLICIES

#### 1. Quota and Price Policies of the Canadian Wheat Board

Cereals and cereal products are the most important of all Canadian exports and consequently much legislation and marketing organization has been directed toward the production and ultimate export of cereals. Patterns of production are not imposed by the Federal Government; however, the Government aims to maintain flexibility in production (and marketings), and encourages and assists farmers to make adjustments to meet changing economic conditions. In 1935, the Canadian Wheat Board (CWB) was organized by the Federal Government in furtherance of these aims and to "...market in an orderly manner in inter-provincial and export trade grain grown in Canada". The CWB monopoly marketing system operates in Western Canada (Alberta, Manitoba, Saskatchewan and parts of British Columbia) and, on average 80% of all wheat, 30% of all barley and 10% of all oats produced in this region is marketed through the system. Rye, rapeseed and flaxseed produced in this area are also under CWB jurisdiction, but only to the extent of delivery quotas and delivery to elevators. For 1974/75, there will be no quota restrictions on these grains.

Since 1940, the CWB has used a quota system to regulate the delivery of grains from farms to country elevators. This system constitutes a producer sales quota, consisting of several components designed to give producers in all regions of the CWB area the largest possible equity of delivery opportunity and access to storage facilities. About 170,000 producers annually receive delivery permits.

The main features of the quota system are as follows:

a) Well before spring seeding (almost all western grains are spring crops) the CWB announces minimum aggregate delivery quotas for each grain. Given this information, each producer notifies the CWB as to how much area he will assign to the production of each grain. (Total cultivated area can be assigned amongst the specific grains as the farmer desires.) Once the aggregate planting intentions are known by the CWB, these totals are converted into delivery quotas per acre for each grain and, if necessary, grades of grain can also be specified. Since the delivery quota is the primary restraint, planted area is not directly regulated.

b) Non-cumulative quotas have been introduced. If, for example, the delivery quota for the year is announced as 8 bushels per assigned acre, actual quotas will be made available 1 or 2 bushels at a time. Each of these quotas for a specific grain will be in operation for only a limited period of time, e.g. one or two months, and producers wishing to take advantage of the delivery opportunity must deliver the grain during the period in which the quota remains in effect.

c) Special quotas are used for specialized markets such as grains for malting, oilseed crushers, distilleries and millers.

In order to assist producers to make the best decisions about areas to plant and acreages to assign for quota purposes, the Government announces well before seeding the initial prices for wheat, oats and barley for the coming year (see below), the expected market requirements for wheat, oats, barley, rye, rapeseed and flaxseed, suggested total acreages for these six crops and minimum aggregate delivery quotas for wheat, oats and barley.

For the crop year 1973/74 producers were assured of a minimum total delivery of 555 million bushels of wheat, 280 million bushels of barley and 50 million bushels of oats under CWB jurisdiction. For 1974/75 the guaranteed deliveries are 555 million bushels of wheat, 260 million bushels of barley and 50 million bushels of oats.

a) Domestic cereal price policies

Initial payments on the basic grades of wheat, oats and barley delivered to the Wheat Board are established each crop year by the Government, with regard to the current and prospective market situation and prices or to any other relevant circumstances. For example the 1973/74 crop year initial payments were the following: no. 1 Western Red Spring Wheat stored at Thunder Bay (Lake Superior) or Vancouver (British Columbia) was \$2.25 per bushel; no. 2 Western Oats \$1.10 per bushel; and no. 3 Western Six Row Barley, \$1.50 per bushel. These were revised upward on March 1, 1974 to \$3.75 for wheat and \$2.25 for barley.

When the producer delivers his grain to a country elevator, he receives the initial payment less elevator handling charges (about 5 cents per bushel) and less transportation charges to Thunder Bay or Vancouver (about 15 cents per bushel from a mid-prairie point). At the same time he receives a certificate which provides a detailed record of the grain delivered to the Board. When the year's deliveries have been marketed by the CWB, the Board's expenses and total initial payments are deducted and proceeds are then distributed as a final payment on the basis of the records of the quantities and grades of grain delivered by each producer.

Initial payments are, in effect, Federal Government guaranteed floorprices. It has not been the practice to establish these prices at levels leading to deficits by the Canadian Wheat Board, although in recent years some payments have been made into the Wheat Board account. These reached a peak of \$40 million in 1969/70 when barley exports rose very sharply at a time when international prices of feedgrains were very low. These losses dropped considerably in 1970/71 to \$18.3 million and fell to zero in 1972/73 (Table 1).

Wheat, oats and barley produced outside CWB jurisdiction are supported under the Agricultural Stabilization Act at not less than 80% of the average price in the preceding ten years. In 1972/73 these levels were \$1.54 per bushel for wheat; \$1.06 for barley, and 62 cents for oats. During the life of the Act, market prices have been above support levels and no payments have been necessary.

In 1969, the Federal Government set the price to millers for wheat destined for consumption by Canadians at \$1.955 per bushel No. 1 Manitoba Northern, basis Thunder Bay, upon collapse of the 1967 International Grains arrangement. In 1969/70, \$9.3 million was added to producer returns through this system.

In January 1972, the Government announced a new price policy for all wheat consumed by Canadians. The price to millers was maintained at \$1.955 per bushel No. 1 C.W.R.S. basis Thunder Bay, while the Federal Treasury paid \$1.045 per bushel to guarantee farmers a return of \$3.00 per bushel No. 1 C.W.R.S. Bread prices were not affected, but farmers received an additional \$135 million during the time the program was in effect. Payments in Western Canada were on an acreage basis, including acreage seeded to grains, oilseeds, summerfallow and part of miscellaneous and perennial forage crops. Eastern farmers were paid on a per bushel of wheat basis.

In July 1973, due to rapidly increasing world wheat prices, the price to millers was allowed to follow the export price. The Federal Government paid \$1.00 per bushel No. 1 C.W.R.S., with the balance (to be never less than \$2.00 per bushel), paid by domestic millers basis Thunder Bay. Under this system, wheat sold to domestic millers reflected the world price and farmers were assured of \$3.00 per bushel No. 1 C.W.R.S.

In September 1973, to ease the increasing burden on consumers due to export wheat prices in excess of \$5.00 per bushel, the maximum price charged to millers for bread and Durum wheats destined for domestic human consumption was set at \$3.25 and \$5.75 per bushel basis Thunder Bay. To maintain producer returns at near world levels, the Government agreed to pay to farmers the difference between \$3.25 and the export price for bread wheats and the difference between \$5.75 and the export price for Durums, up to a maximum of \$1.75 per bushel. Should world prices fall below the maximums of \$5.00 and \$7.50 per bushel set for domestic consumption, the return to producers will decrease accordingly but will not fall below \$3.25. The payment will not be made directly to farmers but will be paid into the wheat pool account of the Canadian Wheat Board and the Ontario Wheat Producers' Marketing Board. Producers will receive their share in their final payment after the pool has been closed. The cost to the Federal Treasury for this program is estimated to be in excess of \$100 million each year. The program is to be in effect for a period of seven years.

## 2. Other policies benefiting grain producers

Aside from the price policies of the Wheat Board, Federal authorities provide a number of programmes which provide assistance in price maintenance, resource development, storage, transportation and exports. These programmes are presented subsequently.

a) Statutory grain freight rates

Statutory grain freight rates consist of a number of laws and orders which established maximum allowable freight rates for western grain. The 1897 Crow's Nest pass Agreement between the Canadian Government and the Canadian Pacific Railroad established rates for the movement of prairie grain to Great Lake ports. In 1927, these rates were set by statute as the maximum allowable on all railroad lines for all grain shipped to Lake ports and for grain shipped to the Pacific Coast for export. These freight rates, called Statutory or Crow's Nest Pass Rates, are still in effect.

b) Livestock feed assistance

Since 1941 the Federal Government has subsidized transportation costs from the Prairie Provinces to Eastern Canada and British Columbia of grains to be used for livestock feed. A Livestock Feed Assistance Act was passed in 1966 which established the Canadian Livestock Feed Board. Since October 1967, the transportation charges on Ontario wheat shipped into Quebec and the Atlantic Provinces for livestock feed have also been subsidized under this programme.

The objectives of the Canadian Livestock Feed Board are to ensure:

- the availability of feedgrain to meet the needs of livestock feeders;
- the availability of adequate storage space in Eastern Canada for feedgrains to meet the needs of livestock feeders;
- reasonable stability in the price of feedgrain in Eastern Canada and in British Columbia;
- fair equalization of feedgrain prices in Eastern Canada and in British Columbia.

In the 1972/73 crop year, 3,095 thousand tons of feed grains qualified for freight assistance of which 970 was barley, 967 wheat, 620 oats, 392 millfeeds, 113 screenings, 3 eye and 1 corn. Payments under this program have averaged (5 years) \$20 million per year (Table 1) of which in 1972/73 50% provided for shipments to Quebec, 21% for shipments to the Maritimes, 15% to Ontario and 14% to British Columbia.

c) Ontario Corn

There are two important policies affecting corn (maize) producers in Ontario: the tariff on corn imports and the feed freight assistance programme.

The Canadian tariff on corn imports is 8 cents per bushel (Table 5). The tariff sets a floor price for Canadian-grown corn which is at least 8 cents per bushel, plus transport costs, above the price for imported corn from the United States. The average farm price for Ontario corn was \$1.26 a bushel during 1967-68 to 1971-72. It was \$1.40 a bushel in 1972-73.

Shipments of Ontario wheat to Quebec and the Atlantic Provinces and Ontario corn shipped into the Atlantic Provinces are subsidized under the feed freight assistance programme, but since Ontario is a feed-deficit area, relatively little grain is shipped out of the province.

d) The Prairie Farm Assistance Act

The Prairie Farm Assistance Act, passed in 1939, was designed to improve farm incomes in the CWB designated area when farmers suffered low crop yields because of drought and other natural factors. Under this Act, all farmers contributed annually to a fund on the basis of a 1% levy on grain sold to the C.W.B. This fund was used to make payments to farmers in low crop-yield areas. Farmers became eligible for assistance if the average yield of grains in their township fell below certain levels.

The Act is being terminated in 1974 and the provisions have been phased out gradually since 1971, when the collection of levies was suspended. During the 1973-74 crop year benefits were limited to growers located in certain areas of Alberta where crop insurance was not available.

e) Government grain stock policies

The Federal Government does not limit the volume of grain stocks outside of commercial facilities. However, the Wheat Board endeavours to ensure that adequate supplies of the type and quality of grain in demand are available if requested by the market.

In March 1956, the Government passed the Temporary Wheat Reserve Act, "... to relieve producers of burdensome storage charges on wheat in commercial storage at the beginning of the crop year (August 1)..." The Act provided for the payment of storage and interest costs on CWB carryover stocks of wheat in commercial storage in excess of 178 million bushels. Commercial carryover stocks have been as high as 480 million bushels (August 1970) but on July 1, 1973 stocks fell below 178 million bushels and the program expired.

This reserve policy had two major effects on prairie grain production patterns. First, since the subsidy applied only to wheat, it favoured wheat production over other grains. Secondly, by absorbing the producers' costs of surplus wheat storage it insulated them from market forces.

The Wheat Board does not own or operate facilities of any kind for the storage or handling of grain, but uses facilities owned by private and co-operative elevator companies. These companies and similarly shippers and exporters in the grain trade act as agents of the Board under a negotiated agreement. In this capacity they are responsible for the forwarding of grain to eastern elevators and export terminals where it is held for Board account pending sale.

In order to (a) promote the construction of on-farm grain storage and drying equipment in all grain areas and (b) promote construction of commercial storage and drying equipment in Eastern Canada, legislation measures have been enacted again to allow accelerated depreciation for income tax purposes on new drying and storage facilities acquired between 1st April, 1972 and 1st August, 1974.

Since prairie grain farmers do not receive payment for their grains until delivery, the Prairie Grain Advance Payments Act was passed in 1957 and authorized the Wheat Board to offer producers interest-free advances on farm-stored grain if delivery was not possible due to lack of elevator capacity. This Act is oriented towards both storage and income policy. Major amendments, made to the Act in August 1971, allow cash advances to be made in direct relationship to anticipated deliveries of cash grain for the crop year and ensure repayment at the same rate per bushel rate of advance. Advance payments are fixed by Order-in-Council each crop year and approximately two-thirds of the initial payments for the grade of that grain which is expected to be delivered during the crop year in the greatest volume. The rate of advance payment authorized in relation to each grain on a per bushel basis is the same as the rate per bushel to be deducted in repayment of the advance. Thus the advance and repayment provisions are related to delivery opportunities and afford the producers a better chance to repay. The maximum advance continues to be \$6,000 per permit holder but the minimum quota level of each grain announced in each year replaced the specified acreage limitation. The time limit of the advance is variable as repayment must begin as soon as CWB elevator space becomes available.

In 1960/61, total payments were \$64 million or \$840 per producer. Payments reached a high of \$274 million (\$2,225 per producer) in 1969/70 but declined to \$30 million (\$2,283 per producer) in 1972/73. The Federal Government guarantees repayment of cash advances and pays interest on funds borrowed by the CWB in order to make advances. During the last five years the cost of the program has varied from \$13 million in 1969-70 to \$1.0 million in 1972-73 (Table 1).

#### f) Feed Grains Policy

In August 1973 the Federal Government announced a new domestic feed grains plan for the 1973-74 crop year to be followed by a permanent national feed grains policy effective August 1974. Under the 1973-74 plan the Canadian Wheat Board bases its selling price for domestic feed grains on off-Board prairie prices rather than a price competitive with imported corns. This reduces the discrepancies between the off-Board prairie prices and the prices charged by the Canadian Wheat Board to Eastern and B.C. buyers. To give order and stability to off-Board prices, the Agricultural Products Board is authorized to purchase feed grain at or above Wheat Board initial prices (as of August 1, 1973) and store the feed grain commercially or on farms. This price is a guaranteed floor against distress prices and is below the

expected Wheat Board final return for 1973-74. In addition, a previous restriction on the movement of feed grains within the Prairie Region has been removed. This provides prairie livestock producers access to supplies right across the prairies while giving prairie grain farmers a greater choice of buyers. The feed grain policy for the 1974-75 crop year and beyond is being discussed among the federal government, provincial governments, and the grains and livestock industry.

### 3. Supply management for cereals

At the beginning of 1970, wheat stocks were equal to about two years' production and prairie farmers were holding much farm-stored wheat which they could not deliver to the CWB. In order to obtain a short-term, emergency reduction of output, and stocks and to financially assist prairie wheat farmers, the LIFT programme (Lower Inventory for Tomorrow) was introduced. This programme, in effect only one year, paid farmers \$6.00 per acre to increase fallow (and not to grow wheat) and an additional \$4.00 per acre payment was available if this land was seeded to perennial forage. About 94,000 farmers participated and Government payments were \$55.4 million; \$47 million for fallowed land and \$8.4 million for forage payments on about 2 million acres of grassland.

When the LIFT programme was terminated the Grassland Incentive Programme was launched in an effort to encourage and improve grass production for livestock. The objective of the programme is to divert 4 million acres of prairie grain land into perennial forage to ultimately benefit livestock production. A payment of \$10 per acre is offered to producers to convert land which was formerly planted to grain. As of March 31, 1973, \$25.5 million had been expended for the Grassland Incentive Program. The Program was discontinued at the end of the 1972-73 season.

## D. Canadian Dairy Policies

### 1. General

Dairying is an important industry in Canada especially in Eastern Canada and about 75% of production is located in Quebec and Ontario. The Canadian dairy sector, unlike the dairy sectors of most European Countries, is distinctly divided into two markets as regards the physical product itself. Firstly, there is the fluid (liquid) milk market supplied by specialized producers who produce primarily for this market. Secondly, there is the market for manufacturing milk and cream supplied by producers whose output is destined solely for this market and by fluid producers who ship milk surplus to fluid requirements.

The fluid milk market is composed of about 18,000 producers, dispersed in relation to population centres, who are specialized and must meet rather high quality standards in order to ship to this market. In general, these producers have large, high-producing herds and obtain a high proportion of their farm incomes from dairying alone. Their numbers have remained relatively steady since 1960. Fluid milk producers are organised through their own provincial milk marketing boards, which set prices and quotas depending on regional demand, transportation costs, agreements with processors, etc. These producers have had quotas since the 1930's. Price

levels for fluid milk are higher than for manufacturing milk partly to compensate for higher costs. The Federal Government supports manufacturing milk and cream through price supports for manufactured products and direct producer subsidy payments. If a producer, after he fulfills his fluid quota, decides to sell some of his surplus milk as manufacturing milk, he does not receive a Federal subsidy on this portion of sales unless he is in an area where pooling is in effect, in which case he may receive subsidy on a portion of his over-quota milk, depending on the quantity supplied. About 15% of all manufacturing milk is supplied by fluid producers.

Most of the Federal measures discussed in this section are designed to counter problems arising in the manufacturing milk and cream sector of the industry. Almost all producers of manufacturing milk are organized under provincial marketing agencies. Cream producers tend to be small farmers and often use the dairy enterprise to occupy underemployed labour. Quality standards for these producers are considerably less strict than for fluid milk producers.

In 1973/74 there were 78,000 manufacturing milk and cream producers registered with the Dairy Commission, down from 165,000 in 1966/67. Over 90% of all manufacturing milk producers live in Ontario and Quebec and two-thirds of all cream producers live in the prairies.

Annual milk production has averaged about 8 million tons since 1961 and has fluctuated about  $\pm$  1 to 5% annually. Annual human consumption has risen slightly since 1961 and was about 8 million tons in 1972, of which 67% was in the form of manufactured products. The objective of Canadian dairy policy is to provide the opportunity for efficient producers of milk and cream to earn a fair return for their labour and investment.

## 2. Price and Quota Policies

During the early 1960's, the dairy industry was characterized by surplus butter production and income support was provided solely through price support mechanism. During the mid-1960's, price supports were lowered and deficiency payments supplemented producers' incomes. Until 1966 there was a dual milk market composed of (a) the fluid market, with quotas and diversion of surpluses into manufacturing milk and (b) the manufacturing milk sector proper having no quotas and price supports for certain dairy products.

In 1966, the Canadian Dairy Commission (CDC) was formed in an effort to better regulate the production of manufacturing milk and cream in relation to demand. The following policies were instituted in April 1967, by the CDC primarily for the following purposes: (a) direct subsidies per hundredweight (cwt.) of manufacturing milk or on a butterfat basis for cream to supplement producer incomes; (b) holdbacks (deductions from the subsidy) were instituted to maintain a fund to subsidize the exportation of surplus dairy products; (c) offers-to-purchase program was transferred from the Stabilization Board to the CDC. This programme bought surplus dairy products in order to maintain producer incomes, maintain price levels and accumulate a stock for domestic emergencies and food aid programmes.

In 1967 a system of subsidy eligibility quotas was begun: producers were given quotas for manufacturing milk or cream (up to 300,000 pounds per producer) based on 1966/67 sales. Producers having quotas received subsidy payments; however, after the export holdback was applied net payments were 10 to 16% less than the announced level. Producers selling below 10,000 pounds of milk annually did not qualify for a subsidy eligibility quota, but were free to sell milk at the market price (no subsidy). Table 3 gives market price, subsidy and holdback data for fluid and manufacturing milk.

In January 1971 a comprehensive milk marketing plan was agreed to by the CDC and the milk marketing agencies of Ontario and Quebec, bringing into effect a market-sharing system for manufacturing milk and that portion of milk produced by fluid producers which is used for manufacturing purposes. As of 1st May, 1972 the agreement also covered producers in the provinces of Prince Edward Island, Alberta, Manitoba, Saskatchewan and British Columbia; thus over 90% of all Canadian manufacturing milk output was under the new plan. Under the market-sharing arrangement, each producer receives a market price related to Canadian price support levels for deliveries up to his market-sharing quota. Price for deliveries in excess of market quota are related to world prices for surplus dairy products. Under the market-sharing system, instead of the holdback from subsidy, there is a levy on the market price paid to producers. The CDC can adjust the levy upwards (also retroactively) on over-quota deliveries if the supply-demand situation warrants such a move. Support through offer-to-purchase prices as of January 1974 was: Manufactured butter, 71 cents per pound; Cheddar cheese, 60 cents, and skim milk powder, 38 cents per pound. Subsidies amounted to \$1.45 per cwt. of milk plus a special subsidy of \$0.56 per cwt.

Under the market-sharing arrangement, all producers of manufacturing milk, including liquid milk producers, share in the cost of exporting surplus dairy products. Under the previous subsidy programme, fluid milk producers did not share in the cost of export equalization because in general they did not receive subsidy benefits. Until the Federal-Provincial agreements were finalized, there was no equitable method of making collections from fluid milk producers. As of January 1974 within quota holdback and levy rates were 10 cents per cwt. of milk, and over-quota rates were \$1.05 on subsidy quota and \$2.06 on market sharing quota.

In most provinces quotas for milk for fluid use have been negotiable for several years. Quota prices vary by provinces and by markets. In mid-1972 fluid milk daily quotas in Ontario sold for \$15 to \$20 per pound of milk. Since 1967/68, subsidy eligibility quotas for manufacturing milk and cream have been transferable, but only if the whole dairy herd changed ownership. In provinces where market-sharing is in effect, the subsidy quota is associated with the market-share quota and is transferred along with it when the quota is purchased. (It is not associated with the herd). Even though farmers can exchange subsidy eligibility quota rights, the rights technically are the property of the CDC. Market shares, administered by provincial marketing boards, give producers a share of the manufacturing milk and cream markets, and are transferable with the approval of the provincial agencies concerned. If there is a subsidy quota attached to the market share,

TABLE 3. MARKET PRICES, SUBSIDIES AND HOLDBACK DEDUCTIONS FOR CANADIAN MILK

Year	Market Prices		Subsidy on Manu- facturing Milk	Total Return to Manufacturing Milk	Dollars per hundredweight (cwt.)		Over-Quota Holdback
	Fluid Milk, Farm Prices	Manufacturing Milk f.o.b. Plant			Within Quota Holdback	Net Return to Manufacturing Milk	
1962/63	4.79	2.12	0.50	2.62	-	2.62	-
1963/64	4.92	2.36	0.50	2.86	-	2.86	-
1964/65	4.69	2.70	0.46	3.16	-	3.16	-
1965/66	5.02	2.94	0.58	3.52	-	3.52	-
1966/67	5.45	3.25	0.85	4.10	0.10	4.00	0.10
1967/68	5.66	3.54	1.21	4.75	0.11	4.64	0.11
1968/69	6.02	3.54	1.31	4.85	0.15	4.70	0.15
1969/70	6.33	3.60	1.25 <sup>a</sup>	4.85	0.26	4.59	0.52
1970/71	6.41	3.60	1.25 <sup>a</sup>	4.85	0.26	4.59	1.25-2.40 <sup>b</sup>
1971/72	6.59	3.89	1.25 <sup>a</sup>	5.14	0.26-0.20	4.88-4.94	1.25-2.40 <sup>b</sup>
1972/73	6.90	4.24	1.25 <sup>a</sup>	5.49	0.10	5.39	1.05-1.50 <sup>b</sup>
1973/74	8.08	5.01	1.45 <sup>a c</sup>	7.02	0.30-0.10	6.92	1.05-2.06

<sup>a</sup> Available on within-quota sales only.

<sup>b</sup> This holdback applies to manufacturing milk producers within the market-sharing provinces of Ontario, Quebec, Alberta, Prince Edward Island, Manitoba, Saskatchewan and British Columbia.

<sup>c</sup> In August an additional subsidy of 56 cents per cwt on all milk within market share quota was introduced.

SOURCE: Agriculture Canada.

it then becomes negotiable. Prices for Ontario market-sharing with subsidy attached averaged 77 cents per cwt in mid-1972. Without subsidy, the average price of market-sharing quota was about 28 cents per cwt.

Milk quotas, just as with all transferable quotas, acquire some capitalized value of future returns when sold. Usually quota rights can be excellent security for farm loans. In Ontario about 2,500 manufacturing milk producers have shifted into the production of fluid milk (requiring stronger quality standards) through a "graduated entry" programme spread over several years. Quota rights gained through graduated entry are free; however, in order to qualify for graduated entry a producer must possess a CDC quota and must have sold milk and/or cream continuously since January 1967.

### 3. Governmental subsidy expenditures

Since its inception, expenditures of the CDC during the dairying year have ranged from \$95 million to \$148 million (Table 4). The latter figure applies to 1968/69 when the CDC began its major effort to reduce surpluses. In recent years export disposal costs have been paid for by producers through holdbacks and levies. For the years shown in the table, expenditures averaged 12% of total farm cash receipts (on a calendar year basis) from dairying. Total expenditures for 1971/72 are estimated at about \$120 million. For the decade 1962/63 to 1971/72 Government purchases of creamery butter through offer-to-purchase and related programmes averaged 22% of production annually. The 1971/72 level was 44.6 million pounds or 16% of output. For the same period, average annual purchase of skim milk powder were 37.5%. The 1971/72 purchases were 114.8 million pounds or 38% of output.

Storage costs for products bought under the offer-to-purchase programme have averaged about \$2-3 million in recent years. The Federal Government does not provide assistance for dairy sales promotion; however, provincial marketing boards and other organisations annually spend about \$3 million on sales promotion. Dairy farmers also receive indirect subsidies under the Freight Rate Assistance Act and under Federal programmes for animal diseases. Total costs for all contagious disease control are about \$9 million annually.

TABLE 4 - EXPENDITURES BY THE CANADIAN DAIRY COMMISSION

Expenditure	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73
- \$ million -						
Direct payments	99.2	116.0	107.4	102.8	100.7	101.1
Offer to purchase costs & export subsidies	- 4.1	21.5	39.6	9.1	0.7	3.6
Administration and miscellaneous	0.3	5.3	0.8	0.9	1.1	1.2
Total	95.4	142.8	147.9	112.8	102.5	105.9

#### 4. Structural Changes Within the Industry

The structure of the primary sector has changed considerably since 1966. The total number of industrial milk and cream producers registered with the CDC has declined from 165 thousand in 1966 to 71 thousand in 1973. The rate of decline has been especially high among cream shippers and has been inversely related to size of enterprise; between 1966/67 and 1971/72, the number of cream shippers declined by 51 percent while the number of milk shippers dropped by 36 percent; among milk shippers the number shipping less than 80,000 lbs. per year declined by 52 percent, while the number shipping 180,000 lbs. and over increased by 54 percent.

#### E. Canadian Food Aid

Canada has been involved in supplying food aid since the 1950's. Up until the 1960's, the major commodities supplied were wheat and wheat flour. Canadian aid is given on both a bilateral and multilateral basis.

Bilateral food aid accounted for approximately 85% of total Canadian food aid. For the years 1970/71-1972/73, the value of bilateral aid has been approximately 77 million dollars per year. In recent years commodities supplied other than wheat and wheat flour have included skim milk powder, rapeseed and rapeseed oil. Multilateral food aid is supplied through the United Nations World Food Programme (WFP) and UNRWA. Canada has been the second largest contributor (\$US 313 million) to the WFP since it began (Table 5). The Canadian food aid pledge for 1971-72 to the WFP was \$US 30 million and the 1977/74 pledge is \$US 34 million. Over one-third of the total WFP fund commodity pledge is likely to involve high protein foods such as egg powder, dried fish, skim milk powder, etc.

The total value of Canadian aid shipments has averaged about \$90 million for the years 1971-73. Under the Food Aid Convention of the International Wheat Agreement, Canada is committed to provide 495,000 tons per year of wheat as food aid from crop years 1972/73 and 1973/74.

TABLE 5 - CANADIAN CONTRIBUTIONS<sup>1/</sup> TO WFP, 1963 to 1974

Year	Commodities	Cash	Total
		US\$	
1963-65	3,851,006	1,680,000	5,531,006
1966-68	21,550,925	6,875,000	28,425,925 <sup>2/</sup>
1969-70	25,000,000	7,500,000	32,500,000 <sup>2/</sup>
1971-72	24,300,000	6,700,000	31,000,000 <sup>3/</sup>
1973-74	26,520,000	7,480,000	34,000,000
Total	101,221,931	30,235,000	131,456,931

<sup>1/</sup> Based on actual shipments rather than pledges. Total shown for 1969-70 is actual pledge.

<sup>2/</sup> Includes original pledge of \$20 million plus a supplementary contribution of \$12.5 million

<sup>3/</sup> Includes original pledge of \$30 million plus a supplementary contribution of \$1 million.

## **F. Marketing Boards and Marketing Policies**

### **1. Marketing Boards**

In Canada the marketing of a wide range of agricultural commodities is regulated by marketing boards and commissions. Boards are composed of elected producers and the commissions include representatives from the industry and consumers. During the 1960's, these agencies increased in numbers appreciably, from 76 in 1960, to 120 in 1970. In 1971, the number dropped to 94 due to mergers between boards, especially in Quebec.

Marketing boards are organized on a provincial basis according to legislation in each province. Most boards confine their activities to negotiations for minimum selling prices, but some actively engage in promotion, research and production control (e.g., the Ontario Tobacco Marketing Board). Financing is obtained through commodity levies assessed against producer sales. A provincial board cannot regulate inter-provincial marketing or exportation of its product without authority from the Federal Government as provided under the Agricultural Products Marketing Act of 1949.

### **2. Marketing Agencies**

The Farm Products Marketing Agencies Act (1972) permits national marketing agencies to be established to control the marketing, price and promotion of certain farm commodities. As with almost all provincial legislation, a majority of producers must favour the plan for an agency to be established under the Act. So far national marketing agencies for eggs and turkeys have been established under the Act.

The objective of national agencies operating under the Farm Products Marketing Agencies Act is "to promote a strong, efficient and competitive production and marketing industry" having "due regard to the interests of producers and consumers". In the case of eggs and poultry, the Act permits agencies to have national supply management powers "to fix and determine the quantity in which any regulated product can be marketed inter-provincial or export trade". The extension of supply management powers to commodity agencies, other than for eggs and poultry, would require an amendment to the Act.

### 3. Co-operative Marketing

Federal and provincial policies encourage voluntary co-operative marketing on the part of producers to maintain prices and incomes. The assistance includes provincial legislation to regulate co-operatives, loans and rental assistance for buildings and equipment, etc. needed in marketing. While provincial governments are particularly active in giving assistance, the Agricultural Products Co-operative Marketing Act, 1939, is designed to promote orderly marketing and to protect producers against a decline in the price of the product. A co-operative organization, or other producer agency which handles any farm product, (except CWB grains) under a price pooling arrangement, may enter into an agreement with the Government under this Act. The co-operative agrees to make an initial producer payment not exceeding 80% of the average price of the previous three years; the Government undertakes to guarantee that initial payment as a minimum price. This guarantee permits co-operatives to market a product in an orderly fashion throughout the year. The legislation may be used by provincial marketing boards to assist with their marketing plans.

In 1970, there were 2,409 local co-operatives which had 1.7 million members. Total revenues in 1970 were \$2.18 billion of which \$2.07 billion was accounted for by marketing and purchasing co-operatives. Total assets of Canadian co-operatives were \$1.7 billion of which members equity was 46%. Grains and seed (including CWB marketings) accounted for about one-fourth of sales. Dairy products accounted for about one-fifth of the value of sales. Marketing accounted for about two-thirds of the revenues of these co-operatives while purchasing accounted for one-third.

### G. Programmes Providing Credit and Input Assistance

#### 1. Credit During the Last Decade

Progressive farming businesses are relying increasingly on the use of credit both for expansion purposes and for current operations. Difficulties in obtaining credit and any marked decline in demand for specific farm products usually lead to a decline in farm growth and efficiency. During the late 1960's, the decline in demand for grains severely curtailed the increase in the amount of credit used. With greatly increased demand for grains, beef and other farm products coupled with higher prices since 1971, the amount of credit used by farmers has kept pace with the changed situation. During the decade the following facts stand out:

- a) debt-asset ratios increased from 13.3 percent to over 18 percent;
- b) total credit used has more than doubled,
- c) debt increased to about \$5 billion,

- d) average farm debt (aided by a decline in the number of farms) increased by about two and one-half times,
- e) the incidence of farm foreclosures and bankruptcies while increasing during the middle of the period have decreased in recent years. All of these factors indicate the importance of credit use on Canadian farms.

## 2. The Farm Credit Act

This Act provides two types of loans to farmers. Under Part II of the Act, the maximum loan available for a single farm operation is 75% of the appraised real estate value. Under Part III of the Act the maximum supervised loan available for a single farm operator is 75% of the appraised real estate value. Supervised loans can be made to farmers under 35 with low equity up to 90% of the appraisal value of land, livestock and equipment. The maximum repayment period for both interest and principal is 30 years. The interest rates are normally adjusted semi annually or 1st April and 1st October and are set at 1% above the average yield in the last six months of Government of Canada 5 to 10 year bonds. The interest rate is, however, currently restricted to 7%. In 1973, \$375 million in farm loans were extended under this Act.

## 3. Farm Machinery Syndicates Act

This Act was enacted in 1965 and amended in 1968. Under this legislation, loans are available through FCC to groups of three or more farmers who wish to purchase farm machinery, equipment or buildings on a co-operative basis. The syndicate (group) may borrow up to 80% of purchases to a maximum of \$15,000 a member or a total of \$100,000 per syndicate, whichever is the lesser amount. The interest rate is normally adjusted annually based on the average yield in the last six months of 1 to 10 year Government of Canada bonds. However, the rate is currently restricted to 6½%. Promissory notes plus chattel mortgages constitute security. Up to 1974, 900 syndicates had borrowed \$16.4 million under this Act.

## 4. Provincial Credit Legislation

Various types of supplemental farm credit programs are provided in most provinces. While direct loans to farmers through provincial credit agencies exist in several provinces, the amount extended for various purposes has remained fairly constant at about \$50 million per year. A growing number of loans to farmers are made through banks either under guarantee or interest subsidization arrangements. The credit programs include farm purchases, farm improvement and livestock loans as well as loans to various types of co-operatives.

## 5. The Federal Crop Insurance Act

Under the authority of this Act, enacted in 1959 and amended in 1964, 1966, 1971 and 1973, the Federal Government supports an all-risk crop insurance programme. Insurance plans are developed and administered by each province; however, the Federal Government contributes a share of administrative costs and/or premium costs, and shares of risk through loans or reinsurance whenever indemnities greatly exceed premiums and reserves. For reinsurance (1964 amendment) the province must pay a premium to the Federal authorities.

The costs of this program are shared on a Federal-Provincial Farmer basis; and a 1973 amendment provided for an optional basis for the Federal-Provincial cost-sharing. At the choice of the province the federal and provincial governments may each contribute 25% of the premium costs and share the total administrative costs on a 50-50 basis or the federal government will contribute 50% of the total premium if the province pays the total administrative costs. With either option the farmer pays only 50% of the calculated premium.

Amendments to the Act in 1966 included raising the limit of coverage from 60% to a maximum of 80% of the average yield, provided for basing coverage on the average yield of the crop on an individual farm on the average of all farms in the area; and extending coverage to fruit trees and perennial plants and to summerfallow that had been prepared, but could not be seeded because of wet weather. A 1971 amendment extended this latter premium to include any unseeded land.

Insurance under the Act is available in all areas of all provinces (commencing in the fiscal year 1974-75). In 1973, a total of 111 crop insurance plans were available to farmers. 73,000 farmers purchased crop insurance coverage of \$380 million compared to 49,000 farmers and coverage of \$164 million in 1972. Total premiums were \$33.5 million and indemnities were estimated to be \$20 million for a loss ratio of .58 in 1973; this is compared to total premiums of \$11.6 million and estimated indemnities of \$13.5 million for a loss ratio of 1.16 in 1972. In 1973 the average coverage per farmer was about \$5,175 compared to \$3,439 in 1972; and average total premium per insured farmer was about \$457 in 1973 compared to \$236 in 1972. The Federal contribution to the provinces for the share of premium and administrative costs is approximately \$17.8 million for 1973 compared to \$5.2 million for 1972 (Table 1).

#### Small Farms Development Programme

This Programme, announced in 1971, is aimed at the small farmer who wants to stay in farming, but lacks sufficient acreage to develop a profitable business. Through a land transfer scheme, farmers are able to use special credit facilities to buy the land they require to develop viable farms. Small farmers desiring to abandon farming can qualify for an adjustment grant which is added to the selling price of their land. The grant is available in either a lump sum or as an annuity. They also have the choice of retaining their farm home and an appropriate surrounding piece of land for as long as they wish. Those who leave agriculture can qualify for education and retraining under other programmes.

The primary aspect of this programme is the Land Transfer Plan which will facilitate the transfer of land between existing and expanding farmers. The exiting farmer will be given a mobility assistance grant of \$1,500 plus 10% of the selling price, up to a maximum of \$3,500. Under this plan, special credit assistance is offered the developing farmer and there will be a nominal down-payment and existing holdings will not be affected as with mortgage procedures. This assistance will be available to farmers whose total assets are less than \$60,000.

In the first instance only land for which there is a demand for the enlargement of existing farms, or for which there is a prospect of immediate resale, will be bought. This serves to emphasize that the programme will feature farm development, and the restructuring of land use in agriculture. Subsequent provision will be required for the problems of dealing with land of low capability.

The Federal Government has allocated \$150 million for the first seven-year phase of the programme. There will be no provincial cost-sharing in the Land Transfer Plan. Another aspect of the programme, the provision of advisory services, may be funded by the provinces wholly or partially, depending on their wishes, and will be supervised by the provinces where there is a formal agreement. This programme replaces farm enlargement programmes of ARDA is so far as future agreements are concerned. It will not result in discontinuation of such activities which are underway at the inception.

The Small Farm Development Program commenced in the fall of 1972. Official agreements for the implementation of the programme have been signed with nine provinces. To the end of 1973, 1,465 farmers have received vendor grants totalling \$4,452,512 and 241 farmers have received special credit totalling \$4,154,314.