



Second Session — Thirty-Third Legislature
of the
Legislative Assembly of Manitoba

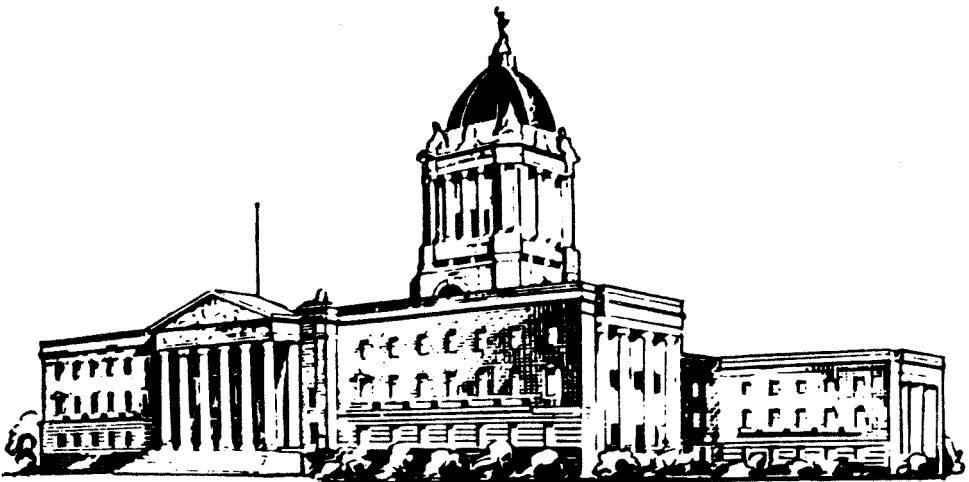
STANDING COMMITTEE

on

AGRICULTURE

36 Elizabeth II

Chairman
Mr. C. Baker
Constituency of Lac du Bonnet



VOL. XXXV No. 1 - 10:00 a.m., TUESDAY, 7 JULY, 1987.

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Third Legislature

Members, Constituencies and Political Affiliation

| NAME | CONSTITUENCY | PARTY |
|--------------------------------------|--------------------|---------|
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| NORDMAN, Rurik (Ric) | Assiniboia | PC |
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| WALDING, D. James | St. Vital | NDP |
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON AGRICULTURE

Tuesday, 7 July, 1987

TIME - 10:00 a.m.

LOCATION - Winnipeg, Manitoba

CHAIRMAN - Mr. C. Baker (Lac du Bonnet)

ATTENDANCE — QUORUM - 6

Members of the committee present:

Hon. Messrs. Evans, Harapiak (Swan River),
Harapiak (The Pas), Plohman, Uruski, Hon. Ms.
Wasylcyia-Leis

Messrs. Baker, Cummings, Findlay, Mrs.
Oleson, Mr. Pankratz

APPEARING: Bill No. 14:

Mr. Archie Bruce - Manco Dairies

Mr. Mike Gadora - People's Cooperative Ltd.

Mr. Craig Finnie - Manitoba Milk Producers'
Marketing Board

ALSO PRESENT: Mr. Connery

MATTERS UNDER DISCUSSION:

Bill No. 14 - An Act to amend The Milk
Prices Review Act; Loi
modifiant la Loi sur le contrôle
duprix du lait

Bill No. 15 - The Crop Insurance Act; Loi sur
l'assurance-récolte

Bill No. 41 - An Act to amend The Animal
Husbandry Act; Loi modifiant
la Loi sur l'élevage

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MR. CHAIRMAN: The Committee on Agriculture will come to order.

We have three persons wishing to make presentations before the committee this morning.

Mr. Archie Bruce, would you identify yourself, please? Mr. Mike Gadora? Mr. Craig Finnie?

Mr. Archie Bruce, are you ready to make your presentation?

**BILL NO. 14 -
THE MILK PRICES REVIEW ACT**

MR. A. BRUCE: Good morning, ladies and gentlemen.

As general manager of the Manitoba Dairy Cooperative Ltd., I'd like to add our support for maintaining the present controls that have been installed in this province. These controls set a minimum price on fluid milk and prescribe a formula for wholesale discounting, along with a formula for transportation costs.

The Manitoba Dairy Cooperative Ltd. is owned by the Manitoba dairy farmers. We have approximately 5,300 paid-up members, and while I cannot speak for all, I am sure that I can speak for the majority when I say that the removal of controls in this province will open up a rat race that will eliminate competition, see reduced prices in the city and inflated prices in the country for the short term; turn the controls of fluid milk pricing over to the large retailers, which will put one more nail in the coffin of the smaller retail outlets and rural distribution centres; and restrict the availability of fluid milk to the aged and disabled.

Since the controls were installed in 1984, the dairy industry in this province has stabilized. The controls prevent the processors and distributors from using fluid milk as a football - that's a term used in the industry to lowball prices.

When a comparison is made of milk prices to the East or to the West, you will find that Manitoba prices rank among the lowest in Canada. If controls setting the minimum price for fluid milk were removed, the price of milk would be reduced in the large centres for those that could come to the large centres to purchase their milk. The aged, the disabled and remote consumer would not be able to enjoy this benefit. Distribution of fluid milk would move towards large shopping centres, reducing the volume of milk in the smaller outlets. This, in turn, would increase the cost of transportation to those outlets which would have to be reflected by increasing the cost of the fluid milk. Home delivery would disappear. The larger processors would become stronger, and the smaller processors would soon find that they could not compete. Under the present system, the smaller processor can compete in most areas.

The larger processors are enjoying the benefits that a stabilized industry generates. Unfortunately, you will not hear them speak out in favour of these controls. If financial statements were made available, you would find the reasons.

Price controls have helped establish and stabilize the smaller processors and have allowed them to give the service the larger processors are not interested in giving. For example, the small corner stores, the smaller retail outlets and the sparsely populated areas make up the majority of the customers the small processor services. Home delivery also forms part of this service. Price controls have assured the distribution of milk to all at a reasonable price.

Under the present system, volume discounts have been constructed which provides the retail outlets a reduction in cost from that paid from the smaller retailer. A large retail store also enjoys purchasing milk in what is known as a designated area. A designated area is one where the fluid milk plant is operating. As milk is transported beyond city limits, the minimum price must be increased to cover the cost of transportation.

Since controls came into being, the smaller processors and retail outlets have enjoyed an increase in sales without hurting the large retailers or consumers.

The minimum fluid price of milk is the same in each zone regardless of how much you buy or where you buy. This minimum price makes this product available to everyone.

One more benefit the controls have offered the consumers in the province is the monitoring system that they have put in place whereby all processors are required to report. The commission requires that annual reports be filed by each processor wherein their earnings are reported. The commission also monitors the cost of production formula of the producers and if there is more than a 2 percent gain in costs or in profits, fluid milk prices are adjusted. An example of this is the 1 cent a litre reduction that took place in January. At a time when most costs are increasing, the Manitoba consumer has enjoyed a 1 cent a litre reduction. Could this have happened without controls? Are there better systems working in the East or the West?

Ladies and gentlemen, we wholeheartedly support the present system and urge you to give it the utmost consideration and care before you amend it or remove it. We know what we have within the province by comparison. These controls have helped stabilize an industry that was very shaky in 1984. Today under the supply management system and the Milk Prices Review Commission, I am pleased to say that we are part of an industry that is distributing and marketing a very vital food at a reduced price at a time when most other prices have increased.

Ladies and gentlemen, we urge you to continue to monitor the results of these controls, continue to ask for and maintain the cost control feedback system, and be prepared to modify this system based on the results that are accomplished, but under no circumstances should these controls be removed. Please continue to work with the processors in the province, the consumer groups and the retailers along with the marketing boards so that the information you act on is timely, accurate and not one-sided.

Don't be fooled by the few who will find loopholes in the system and abuse it; who use the slowness of the courts to act as a chance to gain thousands of dollars worth of free advertising by showing contempt for the controls as a means to improve their own personal gains.

The system is working - it's fair - the results are evident.

MR. CHAIRMAN: Thank you, Mr. Bruce. Any questions of Mr. Bruce? Would you please stay then, Mr. Bruce. Mr. Findlay.

MR. G. FINDLAY: Mr. Bruce, just a general question. Do you foresee that the presence of a minimum price or if the removal of the minimum price was to occur, that there might be an increase in consumption? Or do you see the minimum price as having any restriction on consumption?

MR. A. BRUCE: In my opinion, no. I don't see an increase in consumption. I would probably see the reverse.

MR. G. FINDLAY: Do you foresee that the presence of a minimum price gives the large retailers and the

large processors a locked-in profit; that generally their cost of putting it on the shelf is going to be less than for the smaller operators? Would they benefit tremendously from this locked-in profit?

MR. A. BRUCE: They'd benefit much more than we do and we can feel the strains of it in competing with other products that aren't controlled.

MR. G. FINDLAY: Do you see any variation in the minimum/maximum being useful? Just for example, the large retailers maybe having a certain minimum/maximum and the smaller retailers having another category, a wider window of minimum/maximum, as being beneficial to try to get the lowest possible price of milk to the consumer?

MR. A. BRUCE: That would be very hard to just answer right on the spot. I'm sure you people, again, have much more thought than I. I'm here to defend what's in place. I would need time to think if you're going to change it.

MR. G. FINDLAY: My objective is to see the lowest price possible for the consumer, especially the disadvantaged consumer, and the presence of a minimum price cannot in all instances give the consumer the lowest possible price of milk.

MR. A. BRUCE: I heard your question. Some day I hope to be a big processor so I don't want to spite my nose today. When you're dealing with controls, you have to be very cautious on the total ramifications of them and if there was such a plan coming into being, I'd sure hope you'd give the processors time, all of the group time, to analyze it before they came into being.

MR. G. FINDLAY: In the summertime, production tends to go up. Do you see any merit of reducing or having a window of time, say, two or three or four months in the summer, when maybe the minimum price shouldn't be in place so that there can be greater consumption, greater sales of the product when it's in the greatest production?

MR. A. BRUCE: No, I think different things have to be done with dairy products in order to make them more attractive to the consumer. I think the onus is on us in the business, in the processing and the marketing, to come up with different ways to utilize milk throughout the year. But in the summer we're competing with the Freshies, the Kool-Aids and the pops more than ever. However, Milk on Ice is one program that definitely helped, and there are other ideas with soda in the milks that may take off. I think that's better use or attempts to keep the dairy product utilization high.

MR. G. FINDLAY: Do you see the presence of price controls in any way impeding the ability to compete with pop and the other kinds of drinks that are being brought on the market, especially in the summertime?

MR. A. BRUCE: I don't think so, in my opinion.

MR. CHAIRMAN: Any other questions? Any other members wish to question Mr. Bruce?

Mr. Minister.

HON. B. URUSKI: Mr. Chairman, I would like thank Mr. Bruce for his presentation. I guess I would say that I, for one, who have supported the controls, couldn't make a better presentation from an industry point of view.

But I'd like to ask Mr. Bruce whether the industry, working within controls, would be prepared to work at enhancing and promoting the consumption of milk as the producers are, even though Manitoba's production is fairly stable, although in the summertime there is some increase, but it's been fairly constant in terms of production, whether the industry is looking at ways and means of in fact promoting the consumption of milk?

MR. A. BRUCE: On behalf of Manco Dairies, I would be more than pleased to try and work on new schemes. In harmony with others, too, along those lines, we are doing everything we can in our area of processing to follow the new trends on the market and get involved in it, such as sodas in milk, ice in milk. We think all of these have improved as results in the province can show.

HON. B. URUSKI: Mr. Chairman, to Mr. Bruce.

You've indicated that controls have been in place since '84. Has that improved your competitive position in the marketplace vis-a-vis how your cooperative has been operating? Have the controls been beneficial to you?

MR. A. BRUCE: Extremely so, on behalf of Manitoba Dairy Cooperative. We all like to take credit for any earnings we've made and we just can't take it all on our own. Had controls not come in, I don't know the state the cooperative would be in today.

Manitoba is the battleground for the dairies. Beatrice, Ault, Manco, People's, there are a few homespun processors here, but the multinational processors are hitting a stone wall at the Manitoba-Saskatchewan border so all the battles are taking place in Manitoba more so than in most provinces.

Controls have helped stabilize that. We know they put more money in the coffers of the multinationals. It's pretty hard to restrict coffers in one area and share in them in another area. However, we have a basis of competing these days, and we are competing and we're healthy and we're getting healthier. It's with support of controls; we're not just doing it alone. It's good product, controls and hard work.

Thank you very much.

MR. CHAIRMAN: Thank you, Mr. Bruce.

Mr. Mike Gadora - People's Cooperative Ltd.

MR. M. GADORA: Good morning, Mr. Chairman, and members of the committee.

We welcome this opportunity to thank the committee for this chance to present our views on Bill No. 14, which is known as An Act to amend The Milk Prices Review Act.

In starting, I want to say a little bit about our organization. I represent, as general manager and

secretary of the Board of Directors, People's Cooperative Ltd. Like Mr. Bruce's organization, we are a cooperative, but unlike Mr. Bruce's, we're a cooperative of consumers, not producers. In fact, we think we're fairly unique in the country in that, to our knowledge, we're the only consumer-based processor in the industry.

There are lots of producer-based cooperatives, but none that are consumer based, so in speaking not only as a processor but also someone who has a membership that I have to answer to - a membership made up entirely of consumers, and that obviously colours our perspective on approaching this question.

As members of this committee probably know, we have been a fluid milk processor in this province since 1931. We remain one of the few Manitoba owned and operated milk processors in the provinces.

Since 1931, we've witnessed numerous changes to the industry, the most striking of which has been the disappearance of smaller locally owned and operated dairies and the replacement with branch plant operations of large, international, vertically integrated corporations. We don't complain about that fact. We accept it as a fact of life; though we do, in our more retrospective moments, wonder about the impact on the economic and social life of the province to have the majority of such an important industry controlled from outside of the provinces and, in some cases, countries, borders.

As a smaller locally owned dairy, we believe that we have a place in the industry and believe that we have a right, but more than a right - a responsibility - to speak out on issues which we feel will have an impact on the health of the dairy industry. Bill No. 14, the bill you're considering in this committee, is a case in point.

When asked to appear before this committee, because we are concerned that some members of the Legislature, despite overwhelming evidence pointing to the contrary, remain unconvinced that the regulation of milk prices is good for the province and the people of Manitoba, throughout our history, as a processor, we have argued for price controls on milk and, in fact, have argued further that milk, as a basic foodstuff, should be subsidized, particularly for children, seniors and families. Price controls on milk is nothing new to Canada and has generally stood the entire industry in good stead.

We continue to support the concept of price controls on fluid milk and, in fact, specifically support the system currently in place in the Province of Manitoba. We believe that the system has brought a badly needed stability to the entire industry - a stability which ensures a fair return for producers, processors, distributors and retailers, while still ensuring - this is most important from our point of view - that the consumer pays a fair price for this essential foodstuff.

More particularly, we welcome the elimination of regional disparities in the province which ensures a systematic and orderly pricing of milk in the rural areas and in the core area of Winnipeg where a relatively immobile population are often at the mercy of unrealistically set prices in the absence of controls.

We feel that the numbers, specifically the consumption of fluid milk, and the price paid by consumers for the final product validate our support for the system of price controls. As members of this

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committee know, Manitoba leads the entire country in increased milk consumption on a per capita basis, a welcome turnabout from the period 1980 through 1985 where consumption actually declined. That was a period of non-regulation in the main.

At the other end, Manitoba consumers enjoy the second lowest price of fluid milk in the country. With the price being lower only in other regulated jurisdictions, compared to unregulated jurisdictions as Ontario and British Columbia, the price of a litre of milk in Manitoba, and I'm talking homogenized milk, is between 20 and 32 cents cheaper on average. Those are January 1987 figures.

Giving these pricing facts, we don't believe that it's a mere coincidence that while in Manitoba fluid milk consumption increased by nearly 3 percent in 1986 as compared to '85, the consumption in British Columbia increased by only 1.6 percent, and in Ontario by less than 1 percent in that same period of time. In fact, in some unregulated jurisdictions - I'm thinking specifically of Quebec, one of the major dairy centres in the country - consumption on a per capita basis actually declined, 1986 to '85.

We feel that this committee will surely see the benefits for not only processors and consumers but for the milk producers on the dairy farms - and I'm not competent to speak on their behalf; there are people who will - for independent smaller retailers and for the families of those who work in the industry of a system which encourages increased consumption through guaranteeing a fair return on investment and by maintaining prices at an affordable level.

However, let us address the specifics of the amendments before this committee. Many of the amendments are of a housekeeping nature and will certainly eliminate confusion and will eliminate some administrative and other costs. In our view, these are common-sense amendments which should readily be agreed to.

The amendments proposed to subsection 9(1), dealing with penalties, are likewise easy to comprehend and again appear necessary to give the act some teeth and meaning. This is particularly true when it is remembered that in the main it has not been the small independent retailers who have flaunted the controls where they have been violated but rather, where the controls have been violated, it has been the large and, in some cases, giant retailers.

But the nub of the proposed amendments, and certainly what the discussion has focused on so far that we've been able to hear, as we see them, is in section 6 of the act which spells out the prohibition of discounts, rebates, etc. This, of course, is the part of the system of price controls which is most often criticized by opponents of controls under the guise that is unduly restrictive of competition to impose minimum prices. In our view, such a point of view is erroneous to the extreme.

Critics of minimum pricing have argued that it is wrong to deny the consumers a break on milk prices even if it happens only occasionally. We suggest that the present system of controls gives the consumer a break everyday, day in and day out, by guaranteeing a reasonable price for milk.

Experience in other parts of the country is such that consumers are overcharged - I use that word advisedly

- for milk for long periods of time and then take advantage of an occasional special. Of particular concern is just what consumers will get the break - the so-called break - if minimum pricing were eliminated? Will it be the immobile core area population in Winnipeg where there are no Superstores or the international competitor? Will it be the seniors, the infirm, the ill who cannot get out and choose their shopping place, those who rely on the home milk delivery for their supply of dairy foods? The answer is obviously no.

The so-called price breaks will be available only to those who have access to the giant food stores; generally those with a higher income who can pick and choose their places of shopping, who have no restriction on their mobility. In such a system, it is our contention, many will pay too much while a few enjoy the benefit of specials on an occasional basis. In fact, in such a system the giant food stores will use milk as a loss leader simply to lure customers into their store. To use such a basic commodity in that fashion is, in our opinion, at best a questionable practice.

While others can speak of the benefits of the present system of controls as they affect retailers, especially the small independent retailers - and here we note that the vast majority of retailers, through their federation, support the entire system of controls - we ourselves have noted that it has allowed many smaller independent stores to remain competitive in the dairy trade, a trend which means more jobs and greater freedom of choice.

For our part, we can speak as an independent processor and as a cooperative made up entirely of consumers. We believe that the practice of rebating, something which the present system of controls addresses, adds a significant cost factor to the final-price foodstuffs to the consumer. In fact, the Globe and Mail, of February 28 of this year, in a front-page story cites industry experts who suggest that rebating on grocery items adds as much as 10-15 percent to the consumers' final grocery bill.

In our own experience, while the cost of fluid milk has stabilized since the inception of controls, and has increased by a total of approximately 4 percent in the control period, the wholesale prices of unregulated dairy products has increased as much as 15-17 percent. At the same time, the levels of rebates on those products has increased dramatically with no noticeable impact on reducing the final cost to the consumer.

We are not claiming that we, as a company, are exempt from that practice. We rebate; we have to. We are competitive in a competitive industry and we compete on a variety of bases of which price is only one factor. We prefer, however, to compete on the basis of the product we produce and the service we provide; not simply on the basis of who has the most money to buy the most business. That, we feel, is what happens with a system of wide-open rebating and volume discounting. That, in our view, is not competition, but it's a mere auction in which the tables are tilted to the benefit of the food conglomerates and to the detriment of the independent sector of the trade and the consumer.

It has been suggested by some, and not too subtly, I should add, that The Milk Prices Review Act was an act to bail out our company and other small processors.

I want to refute that most emphatically. We survived for many years without price controls and we would have carried on. It would not have been easy but we would have done it. How? By cutting back on our service - cutting back on the service we provide our home delivery customers and again significant numbers of elderly, people in nursing homes, single parent families, families with a stay-at-home parent who can't get out and shop, people who rely on that service. We would have done it by cutting back on that service. We would have done it by cutting back on the service we provide to the corner stores - the people who need the daily service because they don't have the storage capacity of the multinational competitors - and perhaps by cutting back on the quality of our product.

We didn't want to compete on that basis. We didn't want to stay alive that way, and perhaps, eventually, we would have gone the way of the other independent dairies in this province, and with our passing would have gone a significant number of jobs; but at that point it would not merely have been us and the other Manitoba sector of the dairy industry. It would have been a significant sector of the independent grocery trade, the retail trade, that would have gone with us. It would have meant, as it has in other provinces, either a decline in milk consumption or a slow down in the growth which would have had a disastrous effect on the dairy farming industry and the agricultural sector of our economy generally.

As Mr. Bruce pointed out, the inception of controls through the stabilization of the industry has added a new vitality, a new growth, a new sign of hope to the agricultural industry, particularly the dairy farms.

No, the present system on price controls on fluid milk, in its whole, including minimum pricing, is good for the industry and the consumer. Perhaps the industry itself will have to address the question of pricing on the non-fluid dairy food side or perhaps at some time legislation will have to be introduced to curb the inflationary aspect of increased volume discounts in order to ensure that consumption and production on that side of the industry will continue to show a growth.

We're not arguing for that today, but pointing out the dangers inherent in discounting, and urging that this committee reject - and I don't know your procedure; I don't know if you amend or reject or what happens - but urging that you send a strong message back to the Legislature that you do not want any weakening of the proposed amendments in such a way that it will once again allow this harmful and expensive practice of volume discount rebating to creep back into the fluid milk side.

I thank you for your attention and the opportunity to put forward our position this morning.

MR. CHAIRMAN: Thank you, Mr. Gadora.

Any questions by committee members to Mr. Gadora?
Mr. Findlay.

MR. G. FINDLAY: The same questions I asked the previous gentleman.

Do you see that the present set-up of pricing is giving the larger processors, who you're competing with, locked-in profits that they are enjoying right now?

MR. M. GADORA: I suppose, as Mr. Bruce indicated, certainly, everybody in the industry is guaranteed a fair

return on their investment, that the pricing formula which is used to arrive at that wholesale price of milk does guarantee what is considered by the Fluid Milk Commission to be a fair return on investment. So in that respect, yes, there would be some form of profits for all of the processors, including the larger and the smaller alike.

I think on the other hand, though, that has to be weighed against the question of what happens if in fact you've eliminated all of the competition by eliminating the smaller part of the industry, and then who is to regulate the level of profits at that point?

Now, I suppose, Mr. Findlay, I keep coming back to the situation of the largest market in the country, which is Ontario - a market dominated exclusively by large firms - and I compare the price of a litre of homogenized milk and it's 32 cents higher in Toronto. So I'm saying, without controls, I think that they'd probably guarantee themselves a much larger profit than they are with controls.

MR. G. FINDLAY: With the price controls that you advocate and you see such benefit for, for yourself, as a small processor, do you see additional small processors, independents, starting up in the province?

MR. M. GADORA: I think, Mr. Findlay, I do see benefits in the sense of stability. I think, though, the point I tried to make is I stressed benefits to the entire industry of which we're one small sector.

I believe that the possibilities for independent or smaller processors to enter into the market - and I'm talking about an independent processor - would be enhanced by controls. I personally doubt that it would be possible for anybody to enter into the market at this time given the tremendous capital expenditure that would have to go into a competitive dairy processing plant.

Without controls, I see absolutely no chance of anyone because, as Mr. Bruce indicated, this is sort of a battleground of the dairy industry, and the competition to block in any new processor without controls regulating prices would be so intense, the business would be bought so quickly, that there would be no hope. That's my view. I hope I never have to find out in that sense. I'd rather see if a newer processor could make it with a system of controls.

MR. G. FINDLAY: Just a question I'd like to ask you that is slightly off topic but it is certainly related to the philosophical position you're bringing forward today.

You mentioned a couple of times in here about the dairy farmers and the agricultural sector, and back on page 2 you were talking about guaranteeing a fair return on investment. I'm sure all farmers, no matter what commodity they produce, would love to be in that position. It certainly doesn't exist today in the grain industry and in a couple of other industries.

Can you see a consumer having to pay a minimum price for bread in order to guarantee the grain producers of this province and this country a fair return on their investment? In other words, substitute bread for milk throughout your presentation, and as a consumers' cooperative, can you see that and would consumers support a fair price for bread so farmers

could guarantee a reasonable return on their investment?

MR. M. GADORA: I would say we go back to page 1 where I say that since our inception we've argued not only for controls, but further to subsidization for basic foodstuffs.

That's the basic, philosophical point that we're starting with as a player in this industry. We feel that it should in fact be guaranteed and accessible to every consumer in this country, regardless of income, that milk, bread, eggs, meat be available in such quantity as to ensure an adequate and healthy diet. So if you wanted to - I'll start at that point and work forward if I can, on page 1 - I would say yes, that there should be subsidization of basic foodstuffs. And I'm going to get off the topic too. I'd rather see a subsidized consumption in Canada than subsidize trade overseas through the Wheat Board. In that respect, I would start there, yes.

If it requires a system of controls which is going to examine the financial picture of the bakeries, the flour mills, the milling companies and see what level of profit they're operating at to ensure that there's a fair return throughout the industry, then I would argue and suggest the concept of minimum price controls on bread as well, minimum pricing on bread. But it has to be the entire - from the farm gate right through. In fact, I'd even go a bit further. Let's start looking at the prices of agricultural inputs into the farm gate - the seed, the fertilizer and so on.

HON. B. URUSKI: You've never had consumers support you as much as you've had this morning. And remember that.

MR. G. FINDLAY: Mr. Gadora had mentioned the processors all the way through, but in his last paragraph did not mention going all the way back to guaranteeing a fair return to the farmer.

MR. M. GADORA: As I say, Mr. Findlay, we're primarily a consumer cooperative. Mr. Bruce - and I want to go on record here of supporting the perspective that he brought from a producer cooperative in the producers' interests. I think there's someone here from the Manitoba Milk Producers' Marketing Board to speak as well.

Our view of controls is that the present system guarantees a return for all components of the industry starting at the farm gate right through to the retailer or the independent distributor who's going door to door.

We think that's fair. I suppose there always will be some argument as to what's a fair rate of return. Is it the bank rate or is it twice the bank rate? I don't know. We have found, since the introduction of controls, that our situation, bottom-line wise, hasn't changed that much, but we do find that we don't live in constant fear of having our larger accounts bought away from us.

MR. G. FINDLAY: In your presentation on the bottom of page 2, you mentioned the immobile core area, seniors, the infirm. Later on you mention the single parent, both people who have limited income, limited

resources, and for those I have some sympathy also in terms of them being able to get wholesome food at the lowest possible cost.

This present bill or this act prevents any processor like yourself or any retailer from giving milk away to any severely disadvantaged group in society. Do you think that's acceptable that you're totally prevented, in extreme circumstances, from giving away milk?

MR. M. GADORA: I want to address the question of those people that first of all, more than half of our business is through door-to-door delivery, and as I say, a large portion of it addresses and goes to those people.

I take it that what Mr. Findlay's referring to is the clause, section 6, which has been repealed. It says, "As part of the person's commercial operation, make any gift or donation of fluid milk to anyone."

I'm not a lawyer, but I would doubt whether the gift of milk in the sense of finding a disadvantaged group which you want to help out for an event or to assist with whatever particular problems that are coming in could be considered as part of the commercial operation. That would be our interpretation and I'm sure we may have to go and get a ruling on it.

I guess what I'm saying is I don't think that the amendments prohibit the giving - if we chose to say, for example, the Mount Carmel Milk Program which, with the support of the Kinettes and the Manitoba Milk Producers' Marketing Board, provides seven litres of milk to nursing mothers, if we chose to say, here we'll give that, I would not see that as part of our commercial operation and I would argue very forcefully before the commission and anywhere we had that it is not part of our commercial operation. That's - what's the word? -(Interjection)- Well, charitable. There's another word; it's a very fancy one. I keep forgetting it.

A MEMBER: Responsible citizen.

MR. M. GADORA: Right, yes. I would like that.

You know, what I do think it's intended to do, though, is to stop people from pulling into a gas pump and filling up with 30 litres of gas and getting a litre of milk.

MR. G. FINDLAY: Can I ascertain from your comments that you do support the giving away of milk?

MR. M. GADORA: No, what you can ascertain, sir, is that I see nothing in here which says that in order to assist a specific project or a charitable or a benefactor-type relationship, I see nothing here to prohibit that. If, for example, a group is going on a picnic and we wanted to give them 200 litres of milk, I would not consider that part of the commercial operation. Where you would find me opposing the giving away of milk is when it's tied to the purchase or provision of service of some other good or product.

MR. G. FINDLAY: My own opinion is that 6(c) does prohibit you from doing it. I'll tell you right now and I'll tell the chairman that I have an amendment that I want to bring forward. I see the Minister is also recognizing the shortcoming of this bill - that legally you're not in a position to be able to give it away and I think you should be able to. We agree on that point anyway.

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MR. M. GADORA: I'll agree. If an amendment can come forward that would make it clear that as long as you're not doing it, tied to some sort of commercial sales or to benefit, to accrue directly to the processor, I would quite gladly support your amendment if I had a vote.

MR. CHAIRMAN: Mr. Cummings.

MR. G. CUMMINGS: I just have one question, Mr. Chairman.

It seems to me that where an industry is in what is not necessarily a truly competitive market, that sometimes we see it unable to come up with imaginative and extremely competitive ways of marketing the product.

Do you think that the product of milk and milk products in the province are being marketed as aggressively and as competitively as it can be under this system? Or do you think that the processors are perhaps idling a little bit, satisfied with the market share that they have in competition with other beverages?

MR. M. GADORA: I believe that we've seen more in the way of promotion through the sense of commercial media promotions, various processors identifying themselves with projects of one nature or another. I'm thinking of the Manitoba Marathon, the involvement of one of the processors there, our own involvement with the Winnipeg Children's Festival, the community clubs, the involvement that another one of the processors is involved in. I think that there's a lot more marketing and a lot more aggressive approach in some respects.

I also feel that the Producers' Marketing Board has to be commended for embarking upon a very aggressive and, in my opinion, very effective campaign to increase the generic awareness of dairy foods generally and fluid milk particularly. To my view, it seems as though they are taking cognizance and aim on the fact that there is a beverage market that they're competing for, that we're all competing for. I feel that that has to be the approach that more and more are taking. The individual product label marketing is, in fact, going for a share of the fluid milk market which exists. I think that what we welcome and encourage - and in fact I can put a plug in here if the government wants to throw a few dollars to help us - would be to assist with a promotions program generally for milk as a competitor to Coke, to Pepsi, to Kool Aid, to the rest of it.

I find it very ironic that the product of our competitors, which is composed of sugar, water and carbon dioxide, is more expensive than is this product which has to generate and provide a livelihood for an important sector of our community. You see the result of that, the higher price charged for that product in the much larger promotion activities and much larger promotion budget.

The answer is no. I know I took a long way around it.

MR. CHAIRMAN: Mr. Minister.

HON. B. URUSKI: Mr. Chairman, I would like to thank Mr. Gadora for his in-depth brief that he's presented.

I'd like to indicate that we will be bringing in amendments to 6(2) to clarify the area dealing with a

person's commercial operation, and I thank you for making that distinction. I think we've looked at and heard representations there. The whole area of price discounting dealing with the operation is the area that we want to deal with and we will be bringing in amendments to clarify that.

There's one part in your brief, on page 3, where you talked about the wholesale prices of unregulated product increasing three times as much as the total cost of regulated product, and that is 4 percent versus 15-17 percent.

Are you indicating that there is massive rebating going on and discounting practices going on in the unregulated dairy product sector?

MR. M. GADORA: Yes, sir, most emphatically. Yes, sir, there is. It's a common practice within the wholesale and retail trade of the dairy industry that those products that are not regulated, we have to, all of us, maintain a practice of volume discounting and rebating. Rebate levels, in our experience, range as high as 30-32 percent of the published wholesale list price. We have a wholesale price list which is higher than the retail prices of the product in the grocery stores. It makes it very difficult for the smaller stores, which do not have that volume, to find themselves in a competitive market on those products.

I am not asking and our organization is not asking this committee to address that. It's something that we feel that the trade has to address themselves and we hope it can address it.

We feel, sir, that what it does is it makes it very difficult - in fact, I guess what we're running into is price resistance on a number of products. I'm thinking of yogurt which I believe should be growing at a much faster rate. The question of cottage cheeses, again, we feel there is a question of price resistance even in the hard cheese.

It's something that the action taken by introducing the fluid milk controls certainly eliminated that on the fluid milk side, and we feel that the results speak volumes for what that has meant for the industry as a whole. As I say, the figures that I had was the \$2 billion that it's costing the grocery trade generally in Canada.

There's more than just rebating. There's the whole question now of renting shelf space. It hasn't affected us directly. There's the question of provision of free refrigeration equipment. If you want to sell your product in a store, you provide that storekeeper with refrigeration. These are the industry practices now, and I'm not claiming to be exempt because we have to, to compete. But I do feel though that all of those, somewhere, have to add to the cost of the product, somewhere they have to, and I think that they are, sir.

By the way, I remember the word I was looking for. It's "philanthropic."

HON. B. URUSKI: Thank you, Mr. Gadora.

One other question: Is that placing, at this point in time, pressure on maintaining shelf space in terms of the fluid industry, the controlled industry, by virtue of the discounting that is going on? Is there some pressure of trading one off on the other?

MR. M. GADORA: Sir - I keep jumping in here; I should wait till I'm told to - I would suggest that very few

people have ever come out and said if you want to sell milk underneath 30 or 32 points off the byproducts; but the message is clear - if you aren't offering 30 or 32 percent, you find that you don't have shelf space for your product, for your fluid milk. That's just common sense. I don't think it has to be spelled out.

I think that you have to present - and you can try to compete on the basis of service, on the basis of product quality - but if someone feels that they can get a better price for that unregulated product and still sell it at whatever the market will bear, then I think it becomes very difficult for the smaller processors - and even worse than us are the independent distributors who are buying from the processors and then trying to turn around and sell their product to make a living. It's very difficult for them to be able to match the prices that are out there, or match it in the way of capital equipment that has to go into the stores and still remain competitive.

In Ontario, for example, the level has gone up, and the last figures I heard was over 40 percent. So you have a published wholesale list and everyone is buying them at 40 percent less than that. I ask you: What does that do to your home delivery? What does that do to your retail prices? It becomes very, very difficult.

HON. B. URUSKI: Thank you very much for a very concise and in-depth brief, Mr. Gadora. Thank you very kindly.

MR. M. GADORA: Thank you.

MR. CHAIRMAN: Thank you, Mr. Gadora.

Mr. Craig Finnie, representing the Manitoba Milk Producers' Marketing Board.

MR. C. FINNIE: Thank you, Mr. Chairman.

Mr. Minister, honourable committee members, the Manitoba Milk Producers' Marketing Board appreciates this opportunity to make our comments regarding amendments to The Milk Prices Review Act.

The Manitoba Milk Producers' Marketing Board does support having controls on the pricing of milk throughout the whole industry. In 1980 when we were lobbying to do away with the Manitoba Milk Control Board, we did think that it would increase sales of milk not to have controls at the retail level. However, we did not envisage the extent to which discounts would move in the following years.

Such large discounts may have increased daily or weekly sales, but on a yearly basis, sales just held their own. It was not until the dairy year, 1985-86, that sales started to show a significant increase of 3 percent and a similar increase of per capita consumption from 97.7 litres to 100.3 litres. These increases are continuing on into this dairy year. We believe that having a stable price to the consumer greatly assisted us, along with our greater promotion and advertising programs to attain these increases.

Manitoba is not alone in having minimum prices at the retail level as at present four other provinces have controls, with a sixth, I believe, in the process of moving to a similar system, which is Newfoundland.

Under The Milk Prices Review Act, we do have concerns regarding the system used to derive cost-of-

production figures used in the formula setting the price producers receive for their milk. When the commission came into being in 1980, a quick survey of costs was done with the understanding that a new study was to be done in two years' time. To date, this has never been done. For some costs, the 1980 figures are adjusted with indices and for other costs, arbitrary sources are used.

In the past, the Manitoba Milk Producers' Marketing Board have suggested and offered to conduct and finance a continuing cost-of-production study jointly with the Provincial Government. After, this offer was not accepted, and for the last two years the board has paid for the study which is being carried out by an accounting firm.

The terms of reference of the study are set by a steering committee made up of people from the Manitoba Dairy Association, the Milk Prices Review Commission, the University of Manitoba, the accounting firm and the Manitoba Milk Producers' Marketing Board. The producers to be on the study were randomly selected by Dr. Greg Mason, a statistician from the University of Manitoba. Again, the board makes the same request that the figures from this study be used when gathering information for the formula. Surely, these statistically sound figures are more legitimate coming from a credible accounting firm, gathered on the randomly selected farms year round by a staff person rather than figures derived in an arbitrary fashion.

The board does support Bill 14, An Act to amend The Milk Prices Review Act.

MR. CHAIRMAN: Thank you, Mr. Finnie.
Mr. Findlay.

MR. G. FINDLAY: . . . (question inaudible) . . .

MR. C. FINNIE: Well, the Milk Prices Review Board offered, in conjunction with the Provincial Government or the Milk Prices Review Commission, to fund . . . - (Inaudible)- They didn't agree to go along with that. They wanted to do their own way of doing a study.

MR. G. FINDLAY: Have they done any study on their own that you're aware of?

MR. C. FINNIE: Yes, they have their own system of doing a study, but I guess we don't feel that it's maybe accurate enough for the purposes we want it for.

MR. G. FINDLAY: What the Review Commission would use is figures that the commission has or figures . . . - (inaudible)-

MR. C. FINNIE: No, they use their own figures. There is some discussion back and forth, but at the present time they're not using our completely funded study.

MR. G. FINDLAY: Why not?

MR. C. FINNIE: I really don't know.

MR. G. FINDLAY: Maybe the Minister might like to answer the question.

As far as I'm concerned, pretty well all the advertising of milk that's done in the province is done by the producers or funded to date for by the producers.

MR. C. FINNIE: Yes.

MR. G. FINDLAY: Do you feel that the retailers and the processors are shirking their responsibility by not competitively advertising milk in competition with the other beverages that are being advertised continuously by the retail outlets?

MR. C. FINNIE: I feel that they are doing their own advertising, but they're advertising their specific company brand. Possibly, they could be doing a lot more, too.

MR. G. FINDLAY: Do you think the retailers are promoting milk as strong as you would like in competition? Like I see them promoting other beverages but not necessarily promoting milk, and I'm just tending to rely on the milk producers to promote the product; in other words, shoving the cost back on to the producer rather than the retailer to sort of pay for the cost of the advertising.

MR. C. FINNIE: I guess they promote whatever they can make the most money on.

MR. G. FINDLAY: Why would that be?

MR. C. FINNIE: I guess they have a much larger markup on some other products compared to milk, I would say.

MR. G. FINDLAY: Do you see the price controls as giving these larger retailers, larger processors, locked-in profits?

MR. C. FINNIE: I suppose in a sense they have a locked-in profit, but I think it's a reasonable profit. It's set by the Milk Prices Review Commission and I don't think it's an exorbitant profit.

MR. G. FINDLAY: The system of price controls right back to the producer, is the producer getting a fair return today for his investment?

MR. C. FINNIE: Well, we don't think we're getting quite what we should be, but I suppose it's maybe better than some other things.

MR. G. FINDLAY: Do you see - I asked this question of the previous person - more small independent processors emerging in the province under this regulated system?

MR. C. FINNIE: I don't see a great - no, I don't see any big amount of small independents starting out.

MR. G. FINDLAY: Why would that be?

MR. C. FINNIE: Well, just mainly the cost of getting into the business and the relatively low returns for a small processor.

MR. G. CUMMINGS: Mr. Chairman, my question is regarding the promotion and sale and the imaginative promotion of milk as a competitive product.

Do you believe that milk is getting a fair shake from the retail trade in the promotion to the consumer as an alternate beverage?

MR. C. FINNIE: Well, I think they're doing what they can. I don't know that the retailers really go out and actually promote milk. But I guess through the Milk Producers' Marketing Board promotion campaigns, we worked with retailers, especially through restaurants and that type of thing, and they do work on different campaigns.

MR. G. CUMMINGS: I guess my question stems from having seen promotions and availability of milk in other jurisdictions, not necessarily in Canada, whereby milk is made available on a competitive basis with other beverages in much more numerous locations than it is in Manitoba. My concern is that if we're going to increase the consumption and increase the production so there are more opportunities at the farm level, do you feel that this system adequately allows for milk to compete or is it going to have to rely solely on the producers, through their funds, to promote the consumption of their product?

MR. C. FINNIE: I think it competes as well as possible. It's available, but maybe I don't get your question. I think milk is available, at least in Manitoba, pretty well any place any other type of drink is.

MR. G. CUMMINGS: Perhaps I could elaborate a little bit more on my point, Mr. Chairman. I'm talking about the availability of milk through vending machines. I realize that the availability there has increased. I still don't think it has reached a level that makes milk as competitive and available as it could be.

Secondly, my question was: Will milk have to continue to rely on the funding of the producing industry to promote it, using this system, or do you see this system as allowing or encouraging the retailers to promote the sale of milk, or is that promotion going to have to lie with the producers under this system?

MR. C. FINNIE: I really don't think I can answer your question adequately.

MR. CHAIRMAN: Any other questions?
Thank you very much, Mr. Finnie.

MR. C. FINNIE: Thank you.

HON. B. URUSKI: Mr. Chairman, I'd like to thank Mr. Finnie for his brief and ask him . . . Can I ask you - where do you see the deficiencies in the present cost-of-production formula to be very specific?

MR. C. FINNIE: The deficiencies?

HON. B. URUSKI: Yes. You say that there is a non-agreement in the cost-of-production formula as it exists, which we amended following on Gilson's - Gilson is the one who brought it in, right, after 1980?

MR. C. FINNIE: Yes.

HON. B. URUSKI: He was chairman of the Milk Prices Review Commission. There were deficiencies in that formula because there was a number about three years since that formula before producers were even granted any increase in the cost of production. We amended that. That gave producers a 4 cent a litre increase in cost of production, and that's when the lid blew off the market when processors, retailers, shot the price up to as high as 20 cents a litre.

Where do you still see the, I guess, deficiencies in that cost-of-production formula?

MR. C. FINNIE: I guess partly through using indices - maybe the base is wrong and that type of thing. I guess one thing we see that's wrong is the labour. The hourly rate that we're allowed for labour seems pretty low compared to other industries and that type of thing. I think they're allowed - I'm not exactly sure - but I think it's \$6 an hour.

HON. B. URUSKI: Mr. Chairman, could I ask Mr. Finnie, and he could take it back to the board to perhaps detail the two groups and where you are? I know there have been discussions. Where do you see as the discrepancies occurring, and if that can be done, please send it in and then maybe we can look at where the discrepancies are and whether or not there would be an agreement, or an agreement can be reached . . .

MR. C. FINNIE: We can come up with a list of things that we'd like to see changed.

HON. B. URUSKI: Yes. Mr. Chairman, I'd like to ask Mr. Finnie, based on Mr. Cummings' questions and he took the questions of Mrs. Carstairs - is milk cheaper than coke?

MR. C. FINNIE: I believe it is.

HON. B. URUSKI: Thank you. Thank you very much.

MR. CHAIRMAN: Thank you, Mr. Finnie.

Mr. Findlay.

Mr. Finnie, if you would, please - another question.

MR. G. FINDLAY: I had asked earlier a question of Mr. Finnie - if the Provincial Government had refused to cooperate in a cost-of-production study - and then the Minister said he would respond to that later and he hasn't said anything yet. That was the second and third lines on page 2 where - first I'll read the sentence: "In the past the Milk Producers' Marketing Board have suggested and offered to conduct and finance a continuing cost-of-production study jointly with the Provincial Government. After this offer was not accepted . . ."

Maybe the Minister could expand, for the benefit of the committee, why the Provincial Government has refused to cooperate in this cost-of-production study?

HON. B. URUSKI: Mr. Chairman, perhaps we can get into that debate on the brief.

Mr. Chairman, precisely the non-acceptance of the study is as a result of the original formula being set

when the legislation was brought in, in 1980. We have made some amendments to the original formula and we're in the process now of having those discrepancies viewed to see whether or not further amendments to the study would be needed.

I would not, quite frankly, agree to have one sector of the industry have the only input into the cost-of-production formula. I would want to have the views in terms of - the producers should have all their costs put into say, but as a submission into the formula, but should not have the total say as to whether that formula should be accepted or not.

The entire industry - and I say the entire industry - because consumers, processors, everyone has a stake in this industry and producers are one segment of it, and we should work with them to make sure that what formula is there is in fact as responsive as it can be to their cost of production and be reviewed.

There were problems initially. We made some changes which resulted positively and, of course, negatively, with the 1 cent a litre increase based on the formula. There is still some discrepancy and I think we should work through that process to see if we can resolve that.

MR. G. FINDLAY: I gather then that the commission is determining various costs that they plug in that formula and the Milk Board is also funding a study to determine various cost factors to get into the formula. There are two sets of figures being arrived at and I would like to ask you, or the Minister, whether your figures are being used by the commission or are they being rejected and the commission using only their figures?

MR. CHAIRMAN: Mr. Evans.

HON. L. EVANS: On a point of order.

I believe the customary procedure in the rules are to the ask the delegates questions. Once the delegate has concluded, then you can debate and ask questions of the Minister. I don't think it's fair to the delegate to have him stand there while you're debating this with the Minister.

MR. CHAIRMAN: I think I agree. I think we are treating Mr. Finnie unfairly.

I'll allow Mr. Cummings to make the question yet of Mr. Finnie. Do you have a question of Mr. Finnie, Mr. Cummings?

MR. G. CUMMINGS: Yes. Perhaps I could rephrase my question seeing as how the Minister seems to have confused what I was asking.

The promotion of the product of milk and milk products, I would like your opinion - and I'm trying to express myself so that I'm not trying to play games with you. What I want to have your opinion on is if you feel that this act has an effect, and the result being that the producers are paying the major share of the cost of promotion of the product rather than the retailer and the wholesaler who are putting the product out on the shelf, do you feel that there's an impact as a result of this legislation?

MR. C. FINNIE: I don't really think the legislation has really too much to do with the promotion. I guess the

producers are going to take the bull by the horns and do the promoting because it's in our own best interest. I guess a retailer has something to gain by doing his own promoting, but in most cases the only thing is he's not just selling milk, he's selling a little bit of everything else. So he maybe doesn't pick up and promote milk specifically where producers - that's our main concern, is to promote milk - but I don't really think the legislation has any effect on the promotion of retailers or on anybody.

MR. G. CUMMINGS: One last question, then, on that same line - beef being an example where the producers have varying amounts of money and considerably less, in most cases, to promote their own product. We do see a fair amount of promotion and competition between individual retailers trying to promote the product that they are putting on their shelf. Do you feel that the milk industry, the dairy industry, is losing that opportunity for promotion?

MR. C. FINNIE: No. I think the opportunity for retailers is still there to promote it if they so wish.

MR. G. FINDLAY: To rephrase my question from before, and I'll ask it specifically of Mr. Finnie then.

I'll quote from your brief: "Again, the board makes the same request that the figures from this study . . . "- being the study that you have done - ". . . be used when gathering information for the formula."

Are you contending that the Milk Prices Review Commission does not use your figures at all in establishing the price for milk?

MR. C. FINNIE: As far as I am aware, I think they've seen the results of our study but they're not really accepting them, or all of them anyway, for setting the price of the milk. I guess we're not really saying that they have to follow our study exactly right to the cent, but we'd like them to at least look at it and at least be able to compare it with their study and see if there are differences, and then some of those differences could probably be resolved.

MR. G. FINDLAY: Have you seen their figures that they've established to compare with yours?

MR. C. FINNIE: I've seen the formula. I haven't really personally been too directly involved with it. Mr. Moore has access to all their - or have seen their figures.

MR. G. FINDLAY: Do the figures vary substantially, yours and the commissions, in the various categories or are they very close?

MR. C. FINNIE: They are pretty close.

MR. CHAIRMAN: Thank you very much, Mr. Finnie.

MR. C. FINNIE: Thank you.

MR. CHAIRMAN: Are there any other persons who wish to make a presentation before the committee this afternoon, or this morning rather? If not, we will proceed. Do the members wish to go page by page or clause by clause on the bill?

Does the Minister have a comment?

HON. B. URUSKI: Yes, Mr Chairman. Perhaps I could ask honourable members, seeing that there will be, I am sure, some fair bit of debate on this bill, I am asking the indulgence if members wish to consider Bill 15 and Bill 41 so we can have staff leave, unless there's a major concern with those bills, and then come back to Bill 14 and deal with that lastly.

MR. CHAIRMAN: What is the wish of the committee?

HON. B. URUSKI: Shall we start with Bill 15?

MR. CHAIRMAN: Agreed and go to Bill 15, then?

HON. B. URUSKI: Bill 15.

BILL NO. 15 - THE CROP INSURANCE ACT

MR. CHAIRMAN: We have no presentation yet for Bill 15. Do you have a comment to make, Mr. Minister?

HON. B. URUSKI: No, Mr. Chairman.

I'd like to indicate that I have staff from the Crop Insurance Corporation with me - Mr. Forsberg, the assistant general manager, and Mr. Nelson, the director of Research, with me. If there are any questions on the legislation, they will be here to assist me.

Shall we begin?

MR. CHAIRMAN: Yes, Bill 15. Is it the wish of the committee to go clause by clause or page by page?

Page 1—pass.

Page 2 - Mr. Findlay.

MR. G. FINDLAY: On page 2, the board members appointed by the Lieutenant-Governor-in-Council, are there any guidelines as to using eminent persons on the board?

HON. B. URUSKI: Well, Mr. Chairman, I believe that citizens of Manitoba who devote their time to farming and have a good understanding of farming practices and a good understanding, generally, of the crop insurance program, I would venture to say are as eminent candidates as any other citizen in the province. We might wish to have accounting or economic or other expertise on the board and those would be considerations given when appointments are made.

But to reserve appointments to boards, using the member's quote of "eminent," Mr. Chairman, I think that would be, to say the least, elitist.

MR. G. FINDLAY: By eminent, I'm talking about eminent farmers - president of the Pool, president of the UGG, president of UMM - those kind of individuals who have achieved a degree of confidence on behalf of the farm community they represent, and I think they should not be discarded out of hand by the Minister in selecting board members.

HON. B. URUSKI: Mr. Chairman, I don't think any producer in Manitoba, or any farmer in Manitoba, is at all excluded from serving on the board.

MR. CHAIRMAN: (Pages 2 to 6, inclusive, were each read and passed.)

Page 7 - Mr. Findlay.

MR. G. FINDLAY: You're extending the days that the corporation is allowed in terms of tabling their annual report. Is there any specific reason? From 90 to 120, if I'm not mistaken.

HON. B. URUSKI: I'm advised, Mr. Chairman, that it really is in fact just a timing change to make sure that there is enough time in compiling all the figures and making sure that the report can be ready.

There have been problems from different times in terms of the time frame of when the annual year ends, and if the new Session begins, that it's almost impossible in having those reports tabled.

MR. G. FINDLAY: If the corporation has been able to live with the 90 days up to this point in time, I have yet to hear any good excuse as to why an additional 30 days is needed. If you can meet the 90, why do you suddenly have to add 30 on?

HON. B. URUSKI: Well, Mr. Chairman, I can only accept the advice of the administrators in terms of making sure that all the documentation, all the verification and auditing that has to be done - and when I say auditing, the audit reports and everything have to be in that annual report - and if the Session begins at a certain time when the reports should be in, then that time frame is really scrunched into the tabling of it.

It's an administrative matter that I am not hung up about, but I'm advised that from time to time there are difficulties, depending on when the Session starts. It's not a matter normally, but if the Session begins and the report is to be in there, that three months is cutting it very fine.

MR. G. FINDLAY: In Second Reading, I had made comment on 16(2), the membership of the appeal tribuna, and the removal of designating at least one farmer in going from the old act to the new one. The Minister I think at that time indicated that he would comment on it.

Is it still your intention not to have a farmer on the appeal tribunal - not to specify a farmer on the appeal tribunal?

HON. B. URUSKI: No. Mr. Chairman, we - not inadvertently - left it out; but in fact all the members on the tribunal presently - and I suspect in the future - will be active members of the family farm, whether it be one of the spouses or either one of the sexes, or it could be retired farmers, so that we didn't put it in. But in fact what we're doing is appointing all farmers.

MR. CHAIRMAN: Page 7—pass.

Page 8 - Mr. Cummings.

MR. G. CUMMINGS: 16(9), the appeal fee, the way this is written, does it not leave it open for the corporation to use the fee as a way of limiting appeals? Would it not be possible to stipulate the amount of the fee there? What is the suggested amount? If you could

tell me what that is, perhaps I could accept the way it's written.

HON. B. URUSKI: Mr. Chairman, the only change that I see here in the explanation is that the deposits are paid to the corporation rather than the Minister of Finance because in the event of a successful appeal, then the corporation can pay the funding back. That's the only change there that . . .

MR. G. CUMMINGS: I understand that's the only change. I just mean that it does leave it open, that they could be increased at the discretion of the corporation, does it not?

HON. B. URUSKI: No. Mr. Chairman, I don't think the fee increases. I think, generally speaking, they would be an Order-in-Council and would have to be approved by government, I'm not sure. It may be by board resolution that they could change it.

Yes, it would be Executive Council approval because -(Interjection)- Yes.

MR. G. FINDLAY: Under appeals there, 16(5), have you asked the corporation if there's been any difficulty with people having to appeal within seven days of receiving from the corporation the information?

HON. B. URUSKI: Mr. Chairman, staff may be able to answer specifically. But I understand in terms of the new process that's in place, the farmer does have the document to sign right up front when there is a discrepancy, that if he doesn't agree with the settlement, automatically I think the proof of loss of the document is signed, and that sets the appeal in motion right there and then.

When he's talking with, I guess at that point in time it would be the supervisor, I think the original supervisor, who would make the final attempt in the process to reach an adjusting settlement, if that can't be done, automatically what is given to the farmer right there and it can be signed and taken back immediately, is saying, look, I just don't agree with you in terms of your adjustment, and that sets the appeal mechanism process in motion, right there and then.

So he doesn't have to wait or anything. That form is to be signed and can be signed by the farmer when there is a disagreement between sort of the final approach from the corporation through its regional supervisor.

MR. CHAIRMAN: Page 8—pass.

Page 9 - Mr. Findlay.

MR. G. FINDLAY: Page 9 is covering regulations and I'd maybe like at this time to know from the Minister how you're proceeding on identifying good farming practices versus bad farming practices and trying to give those high-producing, good-managing farmers a better deal with crop insurance with the idea of keeping them in crop insurance without having to feel that they are funding bad farming practices through their premiums. The Minister made some comment on that in that area in his comments in Second Reading and I'd like to know where the corporation is going and

how fast they intend to have something brought forward in this area.

HON. B. URUSKI: Mr. Chairman, the corporation employs, I guess you could say five at the present time, and is, I'm sure, continually reevaluating and reassessing their approaches, but they employ five methods by which they try and deal and zero in on what the member raises, sort of the whole management aspect.

They use the techniques of coverage adjustment. They use the techniques of premium discounts and, of course, surcharges. They use the area of uninsured causes. They use the area of restricted coverage that they can employ, in fact, if there are problems. Of course, the most serious of all is the area of cancelling an actual contract.

So those are the five areas that the corporation employs in a range of situations that may come up dealing and trying to assess management on an ongoing basis.

MR. G. FINDLAY: Does the corporation use the practice with problem accounts, those that over the years can be identified as not producing crop equal to the average of the area? Is there any sort of surveillance done on them during the growing season, during May, June and July, to see if they are attempting to utilize good management practices before the claim is put in again?

HON. B. URUSKI: Mr. Chairman, that is precisely the process that is used when there have been successive claims over a number of years by individual farmers. That process gets triggered. It doesn't get triggered generally in the first year, but in succeeding years that process would come into play. I guess you would almost call that like a management-watch. Like a weather-watch, you'd be looking at a management-watch on further checks by the corporation.

MR. G. FINDLAY: Over how many years does a person stay in the bad management category before he is refused crop insurance? Are there any guidelines or regulations covering that?

HON. B. URUSKI: Mr. Chairman, there are guidelines, but ultimately the assessment is made on the severity, the frequency, the amount of loss and how often before a cancellation is employed. Of course, that will take into account what happens in the area, whether he's the only one or whether there are others who have suffered losses. So it's on an ongoing monitoring process, but it is not one that is taken lightly. And I think the honourable member knows the consequences when in fact a cancellation does occur.

In terms of the difficulty or at least the accusation that other farmers are subsidizing, that is an ongoing matter. But as the member knows, the program itself is publicly subsidized to the tune of probably 70 percent of the total cost of the program, or maybe even higher when you count the administrative costs and all the premium costs. So there is a support and the ultimate cancellation that is taken has to be taken and considered very deeply before it's done.

MR. G. FINDLAY: I'd just like to know, like do you have an answer just to how many years a person can

go along as a bad manager? When it really comes down to it, does the corporation actually make any decisions to cancel insurance and does the act have enough power to give them the authority to do that?

HON. B. URUSKI: Mr. Chairman, clearly there is enough power in the legislation to do that, but it is one, I believe, that the corporation has been very, very reluctant to employ that last move. They employ the other four in increasing surcharges, increasing uninsured causes, restricting coverage before they will ultimately say this is the end.

So those other four will be employed, and if you want to pay those additional costs, the message is there all the way through because you will be surcharged and you will receive less coverage. So that message is loud and clear in those other four steps. The question is: At what stage do you take it? I would say it probably would be at least four or five years experience before the fifth item would, in fact, be considered.

MR. G. FINDLAY: One last question to get some handle on what we're talking about here in the way of numbers.

How many producers - how many contract holders would you now have in the category of questionable management practices when you're implementing some of these provisions?

HON. B. URUSKI: Nine with restricted coverage. There would be many more in the coverage adjustment, the premium discounts, the uninsured causes. We're talking about the restricted coverage just before you cancel. There are nine. That's in sort of scale of severity.

MR. G. FINDLAY: How many would be in the premium surcharge area?

HON. B. URUSKI: Mr. Chairman, there would be about 15 percent of our producers in that area.

MR. G. FINDLAY: Fifteen?

HON. B. URUSKI: Fifteen.

MR. E. CONNERY: One point, Mr. Chairman.

The Minister was reviewing an equalized rate at one time. Has the Minister abandoned that thought at this time?

HON. B. URUSKI: No, Mr. Chairman.

MR. E. CONNERY: You haven't abandoned the thought of equalized rate?

HON. B. URUSKI: No, I haven't abandoned the principle of trying to spread out the risk, which is very sound insurance principles, Mr. Chairman, and has been employed for 25-plus years in the Province of Ontario and worked quite successfully, and that principle is as sound today as it always has been. We haven't abandoned it. We're certainly not getting very far with that principle. We can't understand the double standard of one province being treated one way and another province being treated another way, but it's one that, as long as I'm here, I will pursue.

MR. E. CONNERY: Is it coming close to fruition, this particular policy, or how many years away are you seeing it?

HON. B. URUSKI: Mr. Chairman, the member should be aware that no changes to the crop insurance program are made without the sanction and full concurrence of the Federal Government. Right now there appears to be a reluctance on behalf of the Federal Government, primarily - I would say both - but primarily at the bureaucratic level of entertaining that concept any further than what has occurred in the Province of Ontario. But I tell you for practically all parts of the province there would be some benefits if there was a greater spreading of the risk - not in all-risk, but there would be benefits in hail. If you looked at the two programs, there would be some increases on one side but decreases on the other side and there would be benefits for virtually all parts. Not all, because I believe the one area that we looked at, and I've said this before - I think in the Neepawa area where they're just about even on both sides of the question, there are no benefits to be gained in that area - but all other areas primarily, on both sides of the question there would be some gain or some costs, of course, and some benefits.

MR. E. CONNERY: Wouldn't this mean that better producers and producers in better soil would then be subsidizing poorer producers and producers that are in the marginal land?

HON. B. URUSKI: Well, that's always been the argument made by people who wish to discriminate; and I say this, the insurance industry in the automobile side took young people, 25 years or under, and said you're all bad drivers and we're all going to sock it to you in terms of your premiums. What we did when we spread the risk, we said that we will charge you if and when you are a bad driver.

The argument that the Member for Virden made is the one that I agree with, that we should be employing those five areas of management techniques to deal with the problem areas, and that should be the margin or be the guide for dealing with management and the like, and not because you happen to live in a particular area that, by virtue of living there, now all of a sudden you're a worse manager than those who happen to have land in the Portage area or wherever else in the province. That should not be the guideline for being a better or less manager.

The whole area of how you farm, how in fact your management practices are should dictate how much premiums you pay, but not because you live in one part of the province or another and, by virtue of having greater drought in Southwestern Manitoba or wetness in the Interlake or other areas, be the guiding factor as to how the premium structure should be handled.

MR. E. CONNERY: Where you farm is your choice. If you choose to farm on marginal land, that's a decision that you make; and if you decide to farm on good land, that's also a decision you make. So when you do that, you do that very consciously. Just because you're on that poor land, why should somebody on good land be subsidizing your insurance? If you do that, then

you're going to pushing those who are on the good land out of crop insurance and you're only going have the high-risk people left. I take exception to that because you make a conscious decision of what you're going to do.

HON. B. URUSKI: Mr. Chairman, I think my honourable friend is confused. And I say that sincerely.

The coverage on the poorer land will be proportionately less than that on good land. That will make the difference as to what you will have in terms of your production. Now, whether you get hail or rain or wetness is not because of your choice there; it's because of mother nature, and that's what we insure against is weather. It should not be there that your premiums will be different because you happen to live there. They will on the basis the coverage will be lower because you're on poorer land and your area monetary coverage will be less proportionately.

The fact of the matter is that in terms of risk, the wider the risk, the less premium fluctuation there is; the smaller the risk areas you have, the greater chance of volatility in farmer's premiums. Quite frankly, that's been the reason why in many areas, because of that great fluctuation in premiums on smaller risk areas, the farmers have in fact left the program.

In Ontario, whether you farm here in Dryden or Kenora or you farm in Southwestern Ontario for the same crop and the same land base, your premiums are the same. The coverage may be different, depending on the soil difference, but the premium is the same. I think that concept has worked very well. It has been extended and recognized in most insurance programs.

MR. CHAIRMAN: Mr. Pankratz.

MR. H. PANKRATZ: Mr. Chairman, to the Minister. Does crop insurance take into account your soil classification?

HON. B. URUSKI: Yes, it does.

MR. H. PANKRATZ: As a basis of return on a bushel basis?

HON. B. URUSKI: Yes.

MR. G. FINDLAY: Has there been much consideration given to requiring that farmers use certified seed in order to qualify for crop insurance? If I'm not mistaken, that is a regulation in existence of that. Has it been considered here yet, or considered phasing it in, such that if a farmer uses that he has a premium discount?

HON. B. URUSKI: Mr. Chairman, the program does recognize the use on a number of factors and seed is one of them in terms of the discount for productivity and the good experience. So, that's one of the considerations as well. The use of herbicides and the like, in farming practices, is a consideration. But we have not employed that as part of the regulation because then you have to go to a number of other considerations that you'd have to make and we basically - I guess what I would say - we lump them all into one, and that's part of the process of determination.

MR. CHAIRMAN: 9—pass; 10—pass; 11—pass; 12—pass.

Mr. Findlay.

MR. G. FINDLAY: The word “reinsurance” always bothers me. I just wanted the Minister’s comment on whether the corporation and the people who pay their premiums are being safeguarded in the reinsurance procedures used by the corporation.

HON. B. URUSKI: Mr. Chairman, the reinsurance meaning under crop insurance is really the governmental arrangements that occur between the Federal Government and the Provincial Government. There is no outside “reinsurance in contract.” Those are governmental agreements.

MR. CHAIRMAN: 13—pass; 14—pass.

Preamble—pass; Title—pass; Bill as a whole—pass. Bill be reported.

BILL NO. 41 - THE ANIMAL HUSBANDRY ACT

MR. CHAIRMAN: Bill No. 41 - is it agreed that the committee will go through it page by page again? (Agreed)

Page 1—pass; page 2—pass.
Page 3 - Mr. Findlay.

MR. G. FINDLAY: Municipalities that are required to pass by-laws to deal with various components, dog catchers and what not, has there been any problem with municipalities doing that and fulfilling their requirements under this act?

HON. B. URUSKI: Mr. Chairman, I’ll ask either Dr. Frank Baker or Dr. McPhedran, who are joining me here today along with my deputy, Dr. Gardner, to assist me in providing any comments and advice to the committee.

Mr. Chairman, the reason for this section is that municipalities have in fact resisted making by-laws to deal with the problem cases and that’s why the amendments are in here now because there are certain municipalities who have not wanted to live up to their responsibility and where transferring the fines are going to the municipalities that are imposed, the province does not keep the monies that they will levy so that there is a financial incentive but there is also responsibility placed on them by these amendments.

MR. G. FINDLAY: How do you plan to guarantee that all municipalities in the province pass the appropriate by-laws?

HON. B. URUSKI: Mr. Chairman, I think that will be public vigilance when problems occur. There will be debates in local communities and in local newspapers, and the taxpayers there, if the issue is serious enough, will demand of their local officials to take corrective action and they will have the authority clearly spelled out in this legislation to move on those by-laws. That’s basically how changes will be made. We will not be going to each municipality saying you have to, but clearly when an issue arises, the local citizenry will in

fact make sure that their councillors are well aware of it and will be demanding corrective action and this legislation will provide that authority for them.

MR. G. FINDLAY: Have you been in communication with UMM, Union of Manitoba Municipalities, and they are agreeable that they will inform their municipalities of the regulations under this act?

HON. B. URUSKI: Mr. Chairman, there have been discussions through Municipal Affairs and with the union. In fact, it will be my intention that we will be circulating copies of this legislation and maybe even a draft letter to municipalities saying, sort of in a direct way of communicating with them, that these changes have been made giving them the authorities and highlighting certain sections of the bill. I think that would be a good move on our part.

MR. CHAIRMAN: Page 3—pass; page 4—pass. Page 5.

MR. G. FINDLAY: Is the Minister going to introduce his amendments as we move to the various sections?

HON. B. URUSKI: Yes.

MR. CHAIRMAN: I believe there is an amendment on page 6 -(Interjection)- Page 5?

HON. B. URUSKI: Page 5.

MR. CHAIRMAN: On section 8. Mr. Harapiak.

HON. L. HARAPIAK: Mr. Chairman, I move, THAT proposed new section 8 to The Animal Husbandry Act as set out in Bill 41 be amended by adding thereto immediately after subsection (5) thereof the following subsections:

Proof of debt.

8(6) In an action brought as mentioned in subsection (5), a statement of the amount of the proceeds, the amount of the expenses, and the balance owing, purporting to be certified by the clerk of the municipality is admissible in evidence as prima facie proof of the debt.

Reimbursement of poundkeeper.

8(7) The municipality shall pay to the poundkeeper any balance of expenses that have been personally incurred by him, and for which he has not been reimbursed from the proceeds of the sale or otherwise.

By-law given to poundkeeper.

8(8) The municipality shall deliver to each poundkeeper appointed a copy of the by-law and of this section.

MR. CHAIRMAN: Any debate on the amendment? Amendment—pass. Mr. Cummings.

MR. G. CUMMINGS: Are you to say that the poundkeeper will receive directly - is his payment

dependent on the recovery of the funds? That's not what it's saying, is it? It says, "any balance of expenses" - is why I'm questioning that.

HON. B. URUSKI: Mr. Chairman, there is, as I understand it, a speed-up in terms of the sale of animals that have been in fact impounded and those proceeds are sent to the municipality and the municipality will reimburse them.

In section 8(4), if the member reads, "Where animals or poultry impounded are sold by reason of not being claimed, the poundkeeper shall deliver the proceeds of the sale, after deducting expenses, to the treasurer . . . "and if there are not enough proceeds to cover his expenses then in fact the municipality will pay him the difference.

MR. CHAIRMAN: Page 5, as amended—pass. (Pages 6 to 11, inclusive, were each read and passed.)

Page 12, I believe there is an amendment.
Mr. Leonard Harapiak.

HON. L. HARAPIAK: Mr. Chairman, I move,
THAT the English version of the proposed new subsection 25(3) of The Animal Husbandry Act, as set out in section 15 of Bill 41, be struck out and the following subsection be substituted therefor:

Liability for damages.

25(3) A drover who is convicted of an offence under subsection (2) is also liable
(a) to the owner of the lands; or
(b) to the occupant of the lands if the owner is not the occupant thereof; for such damages as are assessed by three arbitrators, one of whom shall be chosen by each of the interested parties and the third by the two arbitrators so chosen.

MR. CHAIRMAN: Any debate on the amendment? Pass.

Page 12, as amended—pass.
Page 13.

MR. G. FINDLAY: Mischievous dogs ordered to be killed. With the pit bull terrier problem that's emerging, is your section here sufficient to meet the needs in that direction?

HON. B. URUSKI: Mr. Chairman, I'm advised that staff say yes, there are enough "teeth" in this section.

MR. CHAIRMAN: (Pages 13 to 16, inclusive, were each read and passed.)

Page 17, amendment - Mr. Leonard Harapiak.

HON. L. HARAPIAK: Mr. Chairman, I move,
THAT Bill 41 be further amended by adding thereto immediately after section 31 thereof the following section:
Sec. 53 rep.
31.1 Section 53 of the act is repealed.

MR. CHAIRMAN: Any debate on the amendment? Amendment passed.

Page 17 - Mr. L. Harapiak.

HON. L. HARAPIAK: Mr. Chairman, I move,
THAT the proposed new section 35 of The Animal Husbandry Act, as set out in section 24 of Bill 41, be amended by striking out the words "this section" in the second line thereof and substituting therefor the word and figures "section 34".

MR. CHAIRMAN: Any debate? Amendment passed.
Page 17—pass, as amended.
Page 18 - Mr. Findlay.

MR. G. FINDLAY: In the appointments of valuers, I think I mentioned in Second Reading, should these not be department officials, like ag reps or other extension people, rather than as people at large?

HON. B. URUSKI: Mr. Chairman, I'd like to indicate that's really a decision that the municipality could make. Our staff, if they're qualified in the area in terms of evaluation, I'm sure would be prepared to give advice, but where the municipality may have people on staff who are in fact, or a councillor may in fact be a producer of poultry or sheep and may be a good evaluator of the product, or an employee of the municipality to provide an evaluation.

MR. G. FINDLAY: I'm not sure that councillors would want this responsibility and you said that the staff of the department would give advice, but I'm asking, will staff be authorized to be the valuers, to make the decision, put the value on for the council?

HON. B. URUSKI: Mr. Chairman, if requested, our staff would act, but we would not say that we are going to be the evaluators. If the municipality wishes to use our staff, we would comply.

MR. G. FINDLAY: I just want to be very clear that your staff is not being prevented from serving in this capacity.

HON. B. URUSKI: Mr. Chairman, staff are not at all being prevented. The reason that we're not putting it in is that there are areas where, for example, the ag rep may be a crop specialist. His expertise is in crop and not in livestock and so . . .

MR. G. FINDLAY: Your livestock specialist is somewhere serving that area, and so on?

HON. B. URUSKI: That's true and they could be used. And, as I say, if they're asked we certainly will respond.

MR. G. FINDLAY: Just one more comment, then, in terms of giving information to councils relative to this act, could you spell that out, that staff of the department are capable and willing to serve in this capacity?

HON. B. URUSKI: Well, Mr. Chairman, I'm not sure that I will make that suggestion there, but clearly that would be implied. We may want to make a reference to it, that if they require assistance, it's the same difficulty of saying, how much do you in fact say you're

going to do for someone? If they request us, we will in fact comply, but I'm not sure that we're saying that this is a service we will in fact be performing, unless we are asked.

Because the difficulty is that once you offer that service and the expertise is not within that community, then you do put yourself in the position of saying well, you offered it and now you can't deliver. I don't want that to occur.

MR. G. FINDLAY: I guess in a general comment then, you brought the act in. You have to be able to back it up with responsible people. You shouldn't shunt the responsibility on to elected municipal officials.

HON. B. URUSKI: Mr. Chairman, what the member is talking about is someone who knows the value of an animal and whether our staff know it - our staff are not all expert in the evaluation. There would be just as many producers in an area, other people as expert as our staff in terms of evaluation. So, that should be an open question and a decision made by municipalities as to who they want to use.

MR. CHAIRMAN: Page 19—pass; page 20—pass.
Page 21, proposed amendment - Mr. L. Harapiak.

HON. L. HARAPIAK: Mr. Chairman, I move, THAT section 39 of the English version of Bill 41 be amended by striking out all the words and figures in the first, second and third lines thereof and substituting therefor the words and figures "Section 125 of the Act is repealed and the following section is substituted therefor:".

MR. CHAIRMAN: Any debate on the amendment? Amendment—pass; page 21—pass, as amended; page 22—pass.
Page 23 - Mr. Findlay.

MR. G. FINDLAY: Page 23, on the use of brands, I'd ask the Minister why removing the venting of brands - why this is being done?

HON. B. URUSKI: Mr. Chairman, I am advised that process really is not being used any more and that's why it's being removed. That whole process is one that is not being employed at all, and so that's why it's being removed.

MR. G. FINDLAY: Now that they're moving more into the area of brand inspection, suddenly that may become something that is needed for identifying the brand on an animal that a person owns as a brand that was on the animal he bought five years ago.

What I suggested to you in Second Reading was that I can foresee people who go and they buy cows in 1987, when they bring them home in 1987, they'll have identification with them, a bill of sale or something. In 1992, when they're transporting to community pasture, for some reason they're stopped by an RCMP officer, and these brands don't match what belongs to the person, how is he going to be able to prove? The documentation is probably long gone.

Is there a protection -(Inaudible)- there with regard to brand inspection and the enforcement of -(Inaudible)-?

HON. B. URUSKI: Mr. Chairman, I guess potentially there could be some difficulty, and the advice that we're providing in the handbook that we're distributing is that a bill of sale should be obtained. The difficulty, of course, is to carry your bill of sale around when you're transporting cattle.

And so, potentially with any type of an inspection program, there could be some difficulty and I don't know how you resolve it other than maintaining your bills of sale either with you, or somewhere at home where they can be accessible. It is usually not, what one would call, the local producer that is the difficulty, it is a strange vehicle and a strange truck in an area that usually is the one that either the range patrols or the RCMP have a lookout on to check. At that point in time, if there's no bill of lading or a bill of sale, then the process is working as is intended - somebody stopped and checked.

MR. G. FINDLAY: I have no problem with that procedure provided that the inconveniences can be eliminated to the greatest possible degree. Are you moving, or are we, as a province, moving to mandatory branding?

HON. B. URUSKI: No, Mr. Chairman.

MR. G. FINDLAY: Are there any plans at all to some day be in that position?

HON. B. URUSKI: Mr. Chairman, at the present time, we work fairly closely with the western provinces. I'm advised that there really is no indication that any one of us will be moving to compulsory branding, in the at least immediate, foreseeable future.

MR. CHAIRMAN: Pass? Page 23—pass; page 24—pass?
I'm sorry, Mr. Leonard Harapiak.

HON. L. HARAPIAK: Mr. Chairman, the amendment that I gave for the bill, initially, I think just in terms of placement of the amendment, there is to be a correction here. Dealing with section 31, that should apply to the 31 on page 23 rather than section 31 on page 17 as originally stated . . .

MR. CHAIRMAN: Does the committee understand the error that was made?

HON. L. HARAPIAK: . . . rather than applying to that one.

MR. CHAIRMAN: Let the record show that the amendment that was on page 17 should have been on page 23.

Page 24 - Mr. Leonard Harapiak.

HON. L. HARAPIAK: Just a moment there, please.
Mr. Chairman, I would like to revert to page 17 briefly, if I could. I have a motion dealing with section 35.

MR. CHAIRMAN: Do you have an amendment?

HON. L. HARAPIAK: Yes. That was, I believe, read into the record. But was it read into at the correct point?

MR. CHAIRMAN: At the correct point. It was read in on page 17.

HON. L. HARAPIAK: Fine, so that one is correct.

MR. CHAIRMAN: Yes. No, that's okay.

HON. L. HARAPIAK: I hope we're not confusing the committee completely. We'll let the staff sort it out. Okay, fine. Thank you Mr. Chairman.

MR. CHAIRMAN: Page 24—pass.
25 - Mr. Findlay.

MR. G. FINDLAY: For the RCMP officers, every member of the Royal Canadian Police says, is an inspector under this act. Have they agreed to do this? You had communication with them, that there's no problem with them acting in this capacity?

HON. B. URUSKI: Mr. Chairman, we have a very close liaison with the RCMP, and in fact one of their members devotes full time on livestock inspection in brands, and a liaison with the industry with the buyers and the auction marts. In fact . . .

A MEMBER: Prodded forward by him likely.

HON. B. URUSKI: Oh, yes, very much. Don McDonald is a corporal now, I think, or sergeant?

MR. CHAIRMAN: (Pages 25 to 30, inclusive, were each read and passed.)
Mr. Findlay.

MR. G. FINDLAY: Just hold it a second here. Okay, carry on.

MR. CHAIRMAN: (Pages 31 to 35, inclusive, were each read and passed.)
Page 36 - Mr. Findlay.

MR. G. FINDLAY: A person who's refused licence has right of appeal, appeal to whom now?

MR. B. URUSKI: To the Artificial Insemination and Embryo Transfer Board.

MR. G. FINDLAY: Then the board is in place?

HON. B. URUSKI: No. Mr. Chairman, a board would have to be established in the event that there would be an appeal. We have no board in place and we would not put one in place unless there was an appeal.

MR. CHAIRMAN: Page 36—pass.
Page 37, I understand is an amendment.
Mr. Leonard Harapiak.

HON. L. HARAPIAK: Mr. Chairman, in terms of reading these into the record, the motion that was read into the record on page 21, section 39, should have applied to page 37, section 39.

MR. CHAIRMAN: Agreed? (Agreed)

Page 37—pass, as amended.
Mr. Findlay.

MR. G. FINDLAY: 125(1)(f) to enter into subsidy agreements with the licensed technicians . . .

HON. B. URUSKI: Mr. Chairman, this section, of course, is to basically acknowledge what has been going now and is going on for 10 years. There is an agreement with technicians. It's basically a subsidy program that in today's terms is of less value than it was 10 years ago, but it does acknowledge some of the additional cost of mileage depending on where the technicians operate and try to provide them some assistance for their operation and for the service they do provide.

MR. G. FINDLAY: These subsidies then vary by technician or by area or by volume of business?

HON. B. URUSKI: Mr. Chairman, there is a schedule that starts with \$3 per insemination up to the first 500, 2, and then 1, and it goes beyond that depending on how many inseminations the technician does, regardless of where he or she operates.

MR. G. FINDLAY: Regardless of the volume of business they do?
There's no flat subsidy.

HON. B. URUSKI: No. It decreases, the subsidy decreases as the volume of business grows.

MR. CHAIRMAN: Page 38—pass; page 39—pass; page 40—pass.
Mr. Findlay.

MR. G. FINDLAY: There's another subsidy area in here somewhere, 131(h), page 41, I'm looking at.

HON. B. URUSKI: . . . agency subsidies to technicians. Mr. Chairman, those are the same subsidies, same thing.

MR. G. FINDLAY: Same thing, okay.

MR. CHAIRMAN: Page 41—pass; Preamble—pass; Title—pass; bill as a whole—pass.
Bill be reported.

BILL NO. 14 - THE MILK PRICES REVIEW ACT

MR. CHAIRMAN: Bill 14, page 1, do we have some amendments on page 1?
Pages 1 to 5, inclusive, were each read and passed.
Page 6, amendment to page 6.

HON. B. URUSKI: Mr. Chairman, there are amendments to page 6.

MR. CHAIRMAN: Amendment for page 6.
Mr. Leonard Harapiak.

HON. L. HARAPIAK: Mr. Chairman, I move,
THAT subsection 6(2) of the Act as proposed by section 6 of Bill 14 be struck out and the following subsection be substituted therefor:

Discounts, rebates, etc. prohibited

6(2) No person shall, except with the prior written authorization of the commission,

- (a) give to a consumer in a transaction involving fluid milk a discount, rebate or premium in either money or kind, or use or adopt in such transaction any method, plan, system or device, which results or is likely to result in
 - (i) an advantage or gain of any kind, direct or indirect, for or to the consumer, or
 - (ii) an alteration of the price of the fluid milk paid by the consumer; or
- (b) sell fluid milk in combination with any other commodity in such manner that the price of the fluid milk is merged with the price of the other commodity; or
- (c) make any gift or donation of fluid milk to anyone in the course of and as a part of the person's commercial operation.

MR. CHAIRMAN: Amendment, debate?
Mr. Findlay.

MR. G. FINDLAY: Well, (b) as part of that . . .

HON. B. URUSKI: Mr. Chairman, just on a point of order. Let's deal with one and then entertain because we will be tied into motions on two amendments. Let's deal with one amendment and hear the other amendment, so that we can deal with them in order.

MR. G. FINDLAY: Would the Minister then like to explain the basic difference between what's in the bill and what he's putting in as an amendment?

HON. B. URUSKI: Mr. Chairman, yes. Thank you very much.

I would like to indicate that this amendment deals with the clarification of our intent and making it more clear that the rebating and the discounting is prohibited as part of the commercial operation. Our intent to allow milk to be provided to groups, to clinics, in a truly promotional manner or supportive manner will and can be allowed. The member should be aware that, for example, Silverwoods has a promotion in the Province of Manitoba which provides \$250,000 worth of support to community clubs in Manitoba.

We have another processor who is providing support to teams, sports teams, as well as providing support to the Manitoba Marathon - the official supporter of the Manitoba Marathon as well. So there are promotions which have been sanctioned by the commission and we would want to do that, but what we want to outlaw is this whole question of rebating and discounting that was attempted to basically loss lead milk in order to have consumers come to their operation and buy other products and use milk as the loss leader.

MR. G. FINDLAY: How can you differentiate that any donations or any promotions as not being a part of person's commercial operation because it's designed to stimulate the sales of their product, the brand name? It's clearly part of their commercial operation and, even as you write it in the amendment, I still don't see legally how you can get around, or how the promotions can

be allowed under the way you have the present bill and the amendment drafted?

HON. B. URUSKI: Mr. Chairman, the way that the bill is structured and the process is there, we are not attempting to lessen the consumption of milk and in fact when the processor is promoting its product, what the substantive difference is, is that milk is being promoted for milk alone, not for milk as being used as a substitution or a promotion to sell other products and that's really the essential difference. We are promoting milk for milk's sake, not bringing you into the store to buy some other products in the hope that we will give you some free milk or something like that. That's really the essential difference.

MR. G. FINDLAY: If you receive milk in a container with a brand name on it, as a youngster or as anybody, and you take it home, certainly you're convincing the people that these are good, that anybody else who sees that carton and knows it was obtained free, convincing them that these are good people, we should buy their cheese, we should buy all their other products, is a subtle sales pitch. It's a commercial aspect. I wonder if you've had legal counsel to determine what you're saying can really happen with the way you have drafted the bill. You're trying to prevent one thing from happening and I wonder if you're not preventing the other from happening; and that is the utilization of a promotion and helping disadvantaged groups.

HON. B. URUSKI: Mr. Chairman, the point that we're attempting to get at, this does not deal with - well, I guess it does indirectly, but don't mix the two up.

What we're trying to do is promote, is allow the promotion of the sale of milk and whether it be by service, whether it be by providing funds to community clubs, which is an indirect support, that doesn't mean that in fact - and here's I guess what we're trying to get at, is if Store A is prepared to say we're now going to give you 25 litres of gasoline and if you buy that, here's a quart of milk, and you can only get it at one operation.

But the promotion that occurs here is a promotion that no matter which store you go into that promotion and that advertising is the same no matter where, it's there. That promotion doesn't result in something else that the store may want to promote or some other manufacturer may want to promote and use milk as a loss leader. And that's what we're getting at.

MR. G. FINDLAY: Does your bill and your amendment allow a store operator, a retailer, to give a litre of milk to a single parent who's at the counter and says I need the milk, but I can't pay for it. Is he allowed legally to give her a litre of milk?

HON. B. URUSKI: Mr. Chairman, the store would not be in business for very long if they were there giving milk away.

MR. G. FINDLAY: I'm not asking if they were to stay in business. I said a single person at the counter, at a given point in time, can they legally be given a litre of milk or is it illegal to do that?

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HON. B. URUSKI: Mr. Chairman, if in fact one person came off the street and the owner could say I am giving you because I like you, one person . . .

MR. G. FINDLAY: People tend to be good Samaritans once in awhile.

HON. B. URUSKI: Yes, this bill would not prevent that, but if in fact the store made it a point of saying I'm going to pick every third or fourth or every customer to give them a litre of milk, this would be illegal.

MR. G. FINDLAY: Okay, how do you differentiate between those two categories in this present bill? Show me where.

HON. B. URUSKI: Mr. Chairman, I think the honourable member has just made my point. People tend to be good Samaritans once in awhile.

MR. G. FINDLAY: Mr. Chairman, if somebody else saw that happen, could they report it and what would be the action taken?

HON. B. URUSKI: I venture to say it would be heard and it would be determined whether or not this was a method being used to try and gain other business in the store, as SuperValu attempted to do at Christmastime, where they said, if you buy \$75 worth or \$100 worth of groceries, we're now going to give you two litres of milk, that would be illegal. That's what we're trying to get at.

MR. G. FINDLAY: I have no problem with that, as long as we're not preventing the stores from being good Samaritans at certain times with certain people, in terms of giving them milk without having the threat of prosecution if somebody detects what's going on or reports what is going on.

HON. B. URUSKI: Mr. Chairman, if the giveaway program is at all connected to the commercial operation that it's involved in, where you are giving it away free, if there are conditions attached to the giveaway program, that would be illegal.

MR. G. FINDLAY: From a legal point of view, you could always argue there's implied business in the future, anytime you do that. Then I say there's a problem.

HON. B. URUSKI: Mr. Chairman, I would not argue at all if there are no conditions at all attached to the giveaway. If there are conditions attached, if they are attached to that giveaway program, that would be illegal. If there are no conditions attached to the giveaway, then I think it would be legal.

MR. G. FINDLAY: Would you accept an amendment (d) which states exactly that? If there are no conditions attached with a giveaway, it's an accepted practice, or something to that effect, where it clearly spells out it is not illegal to give milk away. If you mean what you said, then you should be prepared to put it in, as you said, as long as there are no conditions attached with that which is given away.

HON. B. URUSKI: Mr. Chairman, I believe that in fact this section does just that, but just to say that anyone has the right to give away milk as an amendment, then I may as well have not proceeded with these amendments.

MR. G. FINDLAY: Well, that's acceptable too, but your amendments are designed to prevent discounting rebates and giving away of milk, and you agree and I agree that there's a certain time and place where that is an acceptable practice and it's not hurting anybody in the retail or wholesale business of handling milk.

HON. B. URUSKI: Somebody's got to pay for it, that's understandable.

MR. G. FINDLAY: Well, the Good Samaritan has decided he will pay for it and if we're both on agreement to that extent, why can't we make a clearly accepted practice that individuals are allowed to that?

HON. B. URUSKI: Perhaps the honourable member, in his description, can provide me of instances where this has been prevented?

MR. G. FINDLAY: Well, the bill hasn't been in place yet, so we can hardly give you instances. Let's face it, Mr. Chairman, the bill is set up and this section is set up . . .

HON. B. URUSKI: This bill has been in place since 1980 and controls . . .

MR. CHAIRMAN: Excuse me. We're getting to the point here where our debate is getting ragged and the recording will not be taking place.

HON. B. URUSKI: Mr. Chairman, I just want to make the point, the bill has been in place since 1980, brought by your administration. We brought in controls in 1984 with minimum and maximum prices. We are clarifying those sections that are, in fact, in the bill dealing with controls. I only say, using the hypothetical situation that the member pointed out, that there will be good philanthropic, good Samaritans there who want to give away milk.

I simply put the case in the reverse to say have we, in fact, prevented anyone from doing that. I have given the member the assurance that where there are no conditions attached, milk can be given away; if there are conditions implied or attached to those, they would be illegal under the act.

MR. G. FINDLAY: But once the act is passed, the Minister's word is not legally binding, and if the Minister is committed to his word, then I think he can, Mr. Chairman, introduce an amendment to this section that clearly spells out what he wants to see done and prevent the hassle of somebody being prosecuted in a needless fashion.

HON. B. URUSKI: Mr. Chairman, clause (c) in the amendment that we have just proposed make, and I quote, "make any gift or donation of fluid milk to anyone in the course of and as a part of the person's commercial

operation," is really the clarity that the member is seeking. We're saying that it's not directly involved with the person's commercial operation. If he wants to be a good Samaritan, he can be a good Samaritan and give it away, but attach no conditions to that commercial operation, expressly or implied.

MR. CHAIRMAN: Mrs. Oleson.

MR. C. OLESON: Thank you, Mr. Chairman.

In 6(2) it says, "No person shall, except with the prior written authorization of the commission," and then we get down to (c) about the gift and donation.

Are you telling me, Mr. Minister, that if the head of the Girl Guides or the Boy Scouts comes into Mr. XY's store and said, we're putting on a do for the kids next week, or tomorrow even, could you give us some milk or some other commodity? Soft drink people do this all the time. Would they have to have written authorization from the commission in order to do that?

HON. B. URUSKI: Mr. Chairman, no.

MRS. C. OLESON: Mr. Chairman, I submit that's the way the bill reads.

HON. B. URUSKI: Mr. Chairman, there are no conditions. That's the point that I've been trying to make to my honourable friends. There are no conditions expressed or implied in the giveaway of milk. If the grocer said, yes, I will give you Girl Guides the milk you request on the condition that you buy X number of dollars worth of groceries from my grocery store, then authority would have to be requested and received from the commission.

But, if he's prepared to bring the group in, as suggested by my honourable friend from Virden, and say, yes, I think this groups deserves - whether it's the member's own constituency association is holding a do and goes to a processor and they ask, and they're prepared to donate milk, that would not be illegal, Mr. Chairman.

MR. G. CUMMINGS: Well, the Member for Gladstone makes a point that I was concerned about. It seems to me that there is an implied situation when, as a promotion of a product - milk - you say your interpretation of this is that milk retailers or wholesale distributors could compete head-to-head with other beverage suppliers, and this is a common form of promotion.

But while you're saying it has to have an implied - and it doesn't say in this amendment, implied or otherwise in the transaction - promoters of milk, then, will not be prevented if they wish to supply for a community function, milk free of charge. Are you saying the implication isn't there that they hope they'll buy milk for the next function?

HON. B. URUSKI: Mr. Chairman, I just ask my honourable friend to read that section, make any gift or donation, as part of the commercial.

Mr. Chairman, the evidence, I would believe, would have to be substantive and complete and concrete. It can't be with respect to the implication.

I am sure my honourable friend could make an argument in this whole area. If he wants to go further than this section, then let's deal with it. Let him propose an amendment to tighten that up. I'm prepared to allow the giving away of milk under the act. But I'm certainly not prepared to, in fact, imply that people have to do other things if there's going to be a gift attached. It's not a gift if you have to do other things.

MR. CHAIRMAN: Might I have the committee's indulgence for a moment here. I think this might be irregular to allow an amendment when we are discussing an amendment. I'm just wondering, are you suggesting to amend the amendment?

HON. B. URUSKI: Well no, let's deal with the amendment first.

MR. G. FINDLAY: Mr. Chairman, I think the amendment that I propose here is - the spirit of the intent is there, it may not be worded. But if the Minister is prepared to, as he just said, consider some degree of loosening here, I present this as some sort of information to work with. I'm not worried about the procedures. I think we want to declare that in the end, we end up with what we want in this bill.

MR. CHAIRMAN: Can we deal with the amendment that's on the floor right now and then get to your amendment?

Can I have a show of hands? Do we agree with the amendment to page 7 as read by Leonard Harapiak?

MR. G. FINDLAY: No, page 6 first.

MR. CHAIRMAN: Yes, page 6, as read by Leonard Harapiak. Agreed? (Agreed)

And now the amendment by the member from Virden.

MR. CHAIRMAN: Let him read it. Do you want to read your amendment, Mr. Findlay?

MR. G. FINDLAY: I submit, Mr. Chairman, that after. . .

MR. CHAIRMAN: Could you move it formally, please? Would you make it as a motion?

MR. G. FINDLAY: Mr. Chairman, I move, seconded by the Member for Ste. Rose,

THAT on page 7 after section 6(2)(c), that a 6(d) be added, notwithstanding any of the above commercial operators with approval of the commission can if they so desire give milk away to the poor and disadvantaged e.g., single mothers.

I'm prepared to have it reworded, to make it fit.

HON. B. URUSKI: Mr. Chairman, I want to tell my honourable friend, firstly, they don't need the approval of the commission; secondly, here we are going to state in law that someone can, if they so desire, give away milk. We're saying to them that I don't need a law, and I don't want a law on the books that says that if I can, if I so desire, give away milk. If I want to give away milk, I will give it away notwithstanding the commission or anyone.

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And I am telling my honourable friends here today, that there should be no law on the books to say to people well, if you're nice guys, you can if you so desire give away milk freely. We're saying to them, give it away. You don't need a law, you don't need anything to give milk away. Quite frankly, I would tell the secretary to the commission to basically shut the doors of the commission if someone had to come to us to get permission. We have agreed, as a government, as a matter of policy, that those kinds of activities will be allowed carte blanche without us putting anything in law.

MR. G. FINDLAY: Mr. Chairman, I wish the Minister would read his statement after the record is printed, because 6(2) says very clearly, "No person shall, except with the prior written authorization of the commission," do any of the following: make any gift or donation of fluid milk, is item (c) under that. It's very clearly stated, Mr. Minister. Read your own act that you're bringing in. And you say it doesn't apply. Mr. Minister, be serious for a while. The intent is very clear. We want to make it possible to do it without the threat that you're going to be prosecuted and have to go before the commission and prove that there's no commercial attachment intended.

HON. B. URUSKI: Mr. Chairman, I know members would like not to pass this act. But quite frankly, I think it would be the height of foolishness for this Legislature to, in fact, do what the member suggests.

MR. CHAIRMAN: A point of order.

MR. G. FINDLAY: The Minister's statement that we do not want to pass this act has not been a statement that any of us have made. We are just going through it page by page to be sure that there is clarification, that the intent of the act is not against the bill by the way it's written.

MR. CHAIRMAN: A dispute over the facts aren't a point of order.

HON. B. URUSKI: Mr. Chairman, it's very clear what the members have done. They've voted against the bill. They're now saying that they want to pass the act - great - but don't put something in the act that says to people, if you're nice guys, you can give milk away. We're selling to them, everyone is a nice person and, if they want to give milk away, they can do it. They don't even have to come to the commission. Free.

MR. CHAIRMAN: Question on the amendment.

On the motion of Mr. Findlay, all those in favour, say aye; all those opposed, say nay. In my opinion the Nays have it.

Page 7—pass; page 8—pass; Preamble—pass; Title—pass; bill as amended—pass.

Bill be reported.

Committee rise.

COMMITTEE ROSE AT: 12:35 p.m.