SUBSIDIES
Notifications Pursuant to Article XVI:1
Addendum
CANADA

The following notification relates to subsidies paid during the fiscal or crop year 1969-70, as indicated.

I. GRAIN AND GRAIN PRODUCTS

Feed freight assistance

(a) Background and authority

This programme assists livestock producers in Eastern Canada and British Columbia by subsidizing freight and storage costs on feed grain used by them for livestock feed. While it has been in existence since 1941, this programme was placed under the jurisdiction of the Canadian Livestock Feed Board in April 1967. The authority is the Livestock Feed Assistance Act, 1966, and regulations established by Order in Council.

(b) Incidence

The subsidy is paid to wholesalers or retailers from whom farmers purchase western grains or mill feeds. Claims must show that the commodities are fed to livestock and that the amount of assistance has been passed on to the purchaser. No payment is made on grains and feeds for export, nor on cereals used for domestic food consumption.

(c) Amount of subsidy

The estimated freight and storage expenditures were $21,843,929 on the quantity shipped in the fiscal year 1969-70, as compared to $17,997,461 in 1968-69.

(d) Estimated amount per unit

Freight and storage payments averaged $7.44 per ton in the 1969-70 fiscal year, compared to $8.19 per ton in 1968-69.
2. **Effect of subsidy**

The programme helps to equalize the cost of domestic feeds to livestock feeders across Canada.

**Storage costs on temporary wheat reserves**

(a) **Background and authority**

In March 1956, the Parliament passed the Temporary Wheat Reserves Act "... to relieve producers of burdensome storage charges on wheat in commercial storage ...".

(b) **Incidence**

The Act provides for the payment of storage and interest costs on Canadian Wheat Board stocks of wheat in commercial storage in excess of 178 million bushels at the commencement of each crop year.

(c) **Amount of subsidy**

Can$71.3 million were paid on eligible wheat stocks of 301.6 million bushels in commercial storage for the 1969-70 crop year.

(d) **Estimated amount per unit**

Storage and interest payments under the Act amounted to 23.65 Canadian cents per eligible bushel for 1969-70.

(e) **Effect of subsidy**

The programme has helped Western grain producers to obtain a greater share of the price at which their wheat is sold. However, since this programme only applies to wheat, it has tended to distort production patterns at the expense of other grains and the Canadian Government plans to discontinue this programme in the near future.

**Cash advances on farm-stored grain**

(a) **Background and authority**

The Prairie Grain Advance Payments Act proclaimed on 25 November 1957, provides that interest-free cash advances may be made to producers by the Canadian Wheat Board for threshed wheat, oats and barley, stored on farms in Western Canada. Funds for the issuance of advances are obtained by the Canadian Wheat Board through its line of credit with the chartered banks and the interest involved is paid by the Federal Government.
(b) Incidence

Advances are made at the rate of Can$1.00 per bushel for wheat, 40 Canadian cents per bushel for oats and 70 Canadian cents per bushel for barley with a maximum advance to any producer of $6,000. The advance may be obtained on one grain only or a combination of grains by all producers in the Canadian Wheat Board's designated area having a permit book to deliver grain.

(c) Amount of subsidy

Repayment of advances is made when producers deliver grain as delivery quotas are increased. The interest involved depends on the total amount of advances issued and the rate of repayment. Increased use is made of the provisions of the Act when delivery opportunities are restricted. Repayment is slower under these conditions and consequently interest costs are higher. Interest costs paid by Government for the 1969-70 crop year amounted to $16.4 million.

(d) Estimated amount per unit

No statistics have been compiled on the total quantities of grain on which cash advances are obtained each crop year.

(e) Effect of subsidy

Grain producers in Western Canada, where the bulk of Canada's grain is produced, do not receive any income until they deliver their grain to the country elevator and the excess of production over marketable quantities must be stored on farms at the producer's expense.

Cash advances are in effect a prepayment of a portion of the initial payments guaranteed by the Government on the basic grades of wheat, oats and barley when delivered by producers. The programme has a two-fold effect on the economy of Western Canada. Farmers are able to obtain a portion of the price for their grain when delivery opportunities are restricted instead of having to borrow money at commercial interest rates. Secondly, millions of dollars are put into circulation during periods when the cash flow to the grains sector would otherwise be seriously restricted due to reduced marketings.

Initial payments

(a) Background and authority

Under the terms of the Canadian Wheat Board Act, initial payments on the basic grades of wheat, oats, and barley are established each crop year by the Government having regard to current and prospective market demand and to any other circumstances which may render a specific level of initial payments advisable. The initial payments are, in effect, Federal Government guaranteed floor prices, since any deficit incurred by the Canadian Wheat Board in its marketing operations is paid
by the Government, i.e. if the sales price obtained by the Board is insufficient to cover its operating costs plus the initial payment already received by producers, the deficit is met by the Government.

(b) Incidence

In the twenty-five years prior to 1968-69, on only one occasion was a payment necessary to cover a deficit in the Board's operations. This occurred in 1956-57 when Government paid about $2 million to cover a deficit in the marketing of oats. The pool accounts for wheat, oats, and barley for the 1968-69 crop year were closed during the 1969-70 crop year. Deficits were incurred in all three pool accounts.

(c) Amount of subsidy

Deficits arising from the 1968-69 pool accounts which were paid by Government in 1969-70 amounted to $57.5 million of which $46.3 million was incurred on the Wheat Pool account, $1.2 million on the Oats Pool account and $10.0 million on the Barley Pool account.

(d) Estimated amount per unit

The sums paid amounted to 10.94 Canadian cents per bushel for wheat, 3.02 Canadian cents per bushel for oats and 13.28 Canadian cents per bushel for barley.

(e) Effect of subsidy

The subsidy helped to cushion to some extent the effects of the adverse marketing situation prevailing during the period of the Pools' operations.

Crop failure assistance

1. Nature and extent of the subsidy

(a) Background and authority

This programme is designed to aid farmers in the spring wheat area (the three Prairie Provinces and the Peace River District of British Columbia) in years of low crop yields arising from drought, flood and other conditions beyond their control. It is authorized under the Prairie Farm Assistance Act, 1939, as amended, and regulations established by Order in Council.

(b) Incidence

Payments are made to all farmers in areas eligible by reason of low yields or impossibility of seeding, at rates ranging from $2 to $4 per acre of cultivated land, with respect to not more than one half of a farmer's cultivated acreage up
to a maximum of 200 acres. A minimum payment of $200 applies only when the average acreage yield is five bushels or less per farm. A levy of 1 per cent is deducted from the price a producer receives for wheat, oats, barley, rye, rape-seed or flax-seed. Proceeds of this levy are credited to a special fund (Prairie Farm Emergency Fund) out of which the awards are paid. If the amount in the fund is inadequate to defray the cost of the awards, the Federal Government makes up the deficit. Farmers who participate in a provincial crop insurance scheme are not subject to this levy and are not eligible for benefits under this assistance programme.

(c) Amount of subsidy

No federal contribution was required in the 1969-70 fiscal year since the levy collected from producers ($5,667,000) exceeded the claims ($4,647,000).

II. LIVESTOCK AND PRODUCTS

Hog quality premiums

1. Nature and extent of the subsidy

(a) Background and authority

The payment is designed to encourage high quality hog production and has been in effect since 1944. The current programme was authorized under the Appropriation Act by P.C. 1963-430, 18 March 1963.

(b) Incidence

Payment is made (on carcasses scoring 105 or more on a quality index) to producers who deliver their hogs for slaughter at inspected plants or approved establishments throughout Canada. The farmer receives with his settlement statement, a hog premium warrant which is negotiable at par at any chartered bank. The Government reimburses the bank. Between 1 April to 31 December 1969, the rate was $3.00 for each carcass meeting the quality criteria. From 1 January to 31 March 1970, the premium was reduced to $1.50 per carcass.

(c) Amount of subsidy

The estimated expenditure for carcasses graded in the fiscal year 1969-70 was $2,492,149.

(d) Estimated amount per unit

The average payment per hog meeting the quality criteria was $2.59 in the fiscal year 1969-70.
2. Effect of subsidy

The payment of a premium on hogs yielding high grade carcasses assisted producers in improving and maintaining hog quality and in channelling hogs for slaughter to Government approved plants. With the introduction of a new and more sophisticated grading system in 1969, it is felt that market prices will automatically reward producers of higher quality hogs. For this reason the Government has begun a gradual phasing out of the programme and it will end entirely on 31 December 1970.

Lamb quality premiums

1. Nature and extent of the subsidy

(a) Background and authority

This programme was introduced in 1961 to encourage the production of high quality lambs. It was authorized by P.C. 1961-1122, 4 August 1961, and P.C. 1962-749, 22 May 1962, under General Appropriation Acts.

(b) Incidence

Producers are eligible for premiums on lambs slaughtered at Canadian processing plants where federal carcass grading is available. With his settlement statement, the producer receives a lamb premium warrant which is negotiable at par at any chartered bank. The Government refunds the bank. Between 1961 and 31 March 1968, the premium was $2.00 per lamb carcass grading "Canada Choice" and $1.00 per lamb carcass grading "Canada Good", weighing between 36-56 pounds. The Government began to phase out the premium on 1 April 1968, by dropping the $1.00 payment for Good carcasses and by reducing the premium on Choice carcasses to $1.00.

(c) Amount of subsidy

Premium payments on eligible carcasses in fiscal year 1969-70 totalled $77,441.

2. Effect of subsidy

The lamb premium policy was introduced in 1961 to encourage high quality lamb production. Since then two major changes in market conditions have made the premium less significant. First, prices have risen. Second, more lambs are being marketed through channels where the premium does not apply. These are the reasons for the gradual phasing out of the programme which will end on 31 December 1970.
Wool support programme, deficiency payments

1. Nature and extent of the subsidy

(a) Background and authority

Annual Orders in Council under the Agricultural Stabilization Act have granted authority to the Agricultural Stabilization Board to support wool prices.

(b) Incidence

In fiscal 1969-70 (as in 1968-69) the Board was authorized to support the price of wool at 60 cents per pound. This programme applied to wool of all grades, except rejects, produced in Canada and delivered to registered warehouses in Canada. Payment was calculated as the amount by which 60 cents per pound exceeded the price determined by the Board to be the average market price to producers, f.o.b. Toronto, of representative grades during the period. A wool producer, to be eligible for a deficiency payment under the programme, must have marketed at least 100 pounds of eligible grades, as compared with a minimum quantity of 20 pounds per producer in 1968-69.

(c) Amount of subsidy

For the fiscal year 1969-70 total payments amounted to $1,070,099 of which $812,767 covered wool produced in 1969-70 and $257,332 covered the balance of 1968-69 production.

(d) Estimated amount per unit

In 1969-70 an average deficiency payment of 29 cents per pound was paid to eligible wool growers for 1969-70 production as compared to an average payment of 29.4 cents per pound for the entire 1968-69 crop.

2. Effect of subsidy

Wool prices to producers were stabilized.

III. DAIRY PRODUCTS

1. Nature and extent of the subsidy

(a) General background and authority

At the beginning of the fiscal year 1967-68, administration of the federal dairy stabilization policy was placed under the Canadian Dairy Commission which was established by the Canadian Dairy Commission Act, 1966.
(b) Incidence

Federal dairy stabilization policy consists of supporting the market price of the major dairy products (cutter, skim milk powder and cheddar cheese) through an "offer to purchase" programme and making direct subsidy payments under a quota system to farmers for milk and cream used for manufacture into dairy products. Cost of export assistance is borne by the producer through a "holdback" from the gross direct subsidy payment.

In 1969-70 the programme was as follows:

(1) Offer to purchase programmes for: first grade cheddar cheese at prices ranging from 44 cents to 47 cents per pound; first grade butter at 65 cents per pound; and first grade skim milk powder at 20 cents per pound; and

(2) A gross direct subsidy payment, on an eligibility quota basis, of $1.25 per 100 pounds on manufacturing milk, basis 3.5 per cent butterfat, with an equivalent payment on a butterfat basis for cream; cost of export assistance was borne by the producer through a holdback from the gross subsidy payment of 26 cents per 100 pounds on deliveries up to the level of the quota and 52 cents on deliveries in excess of quota. (This compares with a gross direct subsidy of $1.31 and an undifferentiated holdback of initially 11 cents and subsequently 21 cents per 100 pounds in fiscal 1968-69.)

(c) Direct manufacturing milk subsidy payments

Net direct payments by the Commission to dairy producers in fiscal 1969-70 on 1969-70 production amounted to $69,910,946. In addition, $13,572,947 was paid in fiscal 1969-70 on the balance of 1968-69 production. Total average payment made in fiscal 1969-70 was 97 cents per 100 pounds of manufacturing milk.

(d) Skim milk powder, export subsidy

Export assistance paid on dry skim milk powder in 1969-70 amounted to $48,693,347. On the basis of total shipments, export assistance averaged 15.6 cents per pound (shipments included some 1967 and 1968 fiscal year production).

(e) Cheddar cheese, export subsidy

In fiscal 1969-70 export assistance of $3,716,753 was paid on cheese exported to Britain and the Caribbean. On the basis of total shipments (including some 1966, 1967 and 1968 production), export assistance averaged 15 cents per pound.

(f) Casein and caseinates, production subsidy

In fiscal 1969-70, the Commission paid a direct production subsidy to dairy plants which manufactured dried casein and caseinates from the skim milk portion of milk delivered by producers. The rates were 23 cents per pound for industrial
quality casein and 30 cents per pound for casein and caseinates destined for human consumption. The amount paid on 1969-70 production was $3,150,329, an average of 29 cents per pound. In addition, in fiscal 1969-70 a payment of $124,493 was made on the balance of 1968-69 production, an average of 25 cents per pound.

(g) Other products, export subsidies

In fiscal 1969-70, the Commission also provided export assistance on condensed and evaporated milk ($130,347) and dry whole milk ($66,936). Average export assistance was 2 cents per pound for evaporated and condensed milk and 6 cents per pound for dry whole milk.

2. Effects of subsidies

A fundamental objective of the aggregate Canadian dairy support programme is to keep production of manufacturing milk reasonably within the limits of the amount which can be sold domestically and to discourage surplus production. The quota system for direct subsidy payments is a means to that end, as is the practice of charging export losses to producers. It should be further noted that in fiscal year 1970-71 the "holdback" from direct subsidy payments on milk in excess of quota was increased to $1.25 per 100 pounds, compared to 52 cents in 1969-70. This action represents an intensification of measures designed to limit surplus production while stabilizing the price of manufacturing milk through supporting the prices of the various manufactured components.

IV. FRUITS AND VEGETABLES

Potatoes, starch diversion programme (1968 crop)

1. Nature and extent of the subsidy

(a) Background and authority

In view of abnormally low producer prices the Agricultural Stabilization Board was authorized to make payments on 1968 crop production delivered to starch factories after 17 March 1969. This authority was granted under the Agricultural Stabilization Act and an Order in Council.

(b) Incidence

When used for starch manufacture and providing they met a grade standard of Canada Number 1, potato producers were eligible to receive a payment of $1.45 per barrel (88 cents per 100 pounds) for potatoes delivered between 17 March 1969, and 1 May 1969; and $1.50 per barrel (91 cents per 100 pounds) for potatoes delivered on or after 1 May 1969. Maximum eligible amount for payment was 1,000 barrels per producer.
(c) **Amount of subsidy**

In the fiscal year 1969-70, total payments by the Board under the starch diversion programme amounted to $694,130.

2. **Effect of subsidy**

Potato prices to producers were stabilized.

V. **EGGS AND POULTRY**

Egg price support and egg powder diversion programme

1. **Nature and extent of the subsidy**

(a) **Background and authority**

Eggs are a product for which price support is mandatory under the Agricultural Stabilization Act.

(b) **Incidence**

Since 1 October 1959, the Agricultural Stabilization Programme has had the authority to support the price of eggs under a limited deficiency payment programme. During the 1967-68 production year (1 October-30 September), this programme continued to be on a deficiency basis and applied to a minimum of 1,000 dozen and a maximum of 10,000 dozen Canada Grade A Extra Large; Canada Grade A Large, and Canada Grade A Medium eggs per producer marketed in the period. The established support price was 34 cents per dozen Grade A Large eggs delivered by producers.

In addition, during the production year 1967-68, the Agricultural Products Board purchased 100,000 cases of shell eggs (30 dozen per case) in the form of egg powder.

(c) **Amount of subsidy**

In fiscal 1968-69, $140,935 was paid to egg producers as a deficiency payment on crop year 1967-68 production. The final net loss on the purchase and resale of egg powder accrued to the 1969-70 fiscal year and amounted to $77,110.

(d) **Estimated amount per unit**

The deficiency payment in fiscal 1968-69 amounted to 4/10 of a cent per dozen, i.e. the difference between the weighted national average price received by producers and the support price of 34 cents per dozen in the production year 1967-68.

The loss incurred by the Agricultural Products Board in the purchase and resale of egg powder averaged 14.4 cents per pound.
2. Effect of subsidy

Egg prices to producers were stabilized.

VI. SPECIAL PRODUCTS

Sugar beets, price support

1. Nature and extent of the subsidy

(a) Background and authority

In 1969-70, (as in 1968-69), the Agricultural Stabilization Board was authorized to make advance payments against the final deficiency payment on sugar beets delivered to refineries in the period 1 September 1969 to 31 August 1970, and to make a final payment on the 1969 crop as required to produce a national average producer return of $15.98 per standard ton. (A standard ton is defined as a ton of sugar beets yielding 250 pounds of refined sugar.) Authority was granted under the Agricultural Stabilization Act and pertinent Orders in Council.

(b) Incidence

In 1969-70 an interim deficiency payment of $1.50 per standard ton was made to producers in Manitoba and Alberta (producers in Quebec received their total payment at the end of the crop year). This compares with an interim payment of $2.50 per ton in 1968-69.

(c) Amount of subsidy

Total cost in the 1969-70 fiscal year was $2,674,252, including a $1,258,472 final payment on the 1968 crop.

(d) Estimated amount per unit

Deficiency payments on the 1968 crop amounted to $3,545,300 or an average of $3.23 per standard ton.

2. Effect of subsidy

The deficiency payment programme stabilizes prices to sugar beet producers.

VIII. OTHER PRODUCTS

A support price by deficiency payment was provided for a number of other products during the 1969-70 fiscal year but market prices for each of them were above the support level so no payments were made. The products included cattle, hogs, lambs, eggs and wheat, oats and barley grown outside the Canadian Wheat Board area.