

ments were discontinued in line with the general principles applying to subsidy reduction. Potential trading losses on other bulk purchasing operations were reduced or eliminated by raising Canadian selling prices by appropriate amounts.

One of the major steps in subsidy removal was the discontinuation of subsidies on fluid milk, concurrently with the restoration to the provinces of jurisdiction over milk prices. The consumer milk subsidy, introduced in December, 1942, as part of the program aimed at arresting the continuing rise in the cost of living, had resulted in a reduction of 2 cents per quart in the price of milk to the consumer. Removal of the subsidy in June, 1946, was accompanied by a price increase of the same amount. In October, 1946, the remaining subsidy on fluid milk, that paid producers through the Department of Agriculture, was withdrawn. When this action was taken, milk prices were increased by the provincial Milk Boards in amounts varying between provinces and ranging from 1½ cents to 3 cents per quart. Many of the increases were greater than the equivalent of subsidy which represented about 1½ cents per quart. At the same time, the subsidy of 30 cents per hundred-weight of milk entering into the manufacture of concentrated milk products, which was also paid through the Department of Agriculture, was removed, and the Board authorized correspondingly higher ceilings on evaporated milk, condensed milk and milk powder.

The important textile subsidies were sharply reduced and in some cases completely eliminated. The first step was taken in the early months of 1946 when subsidies on most imported raw wools were discontinued, those on domestic worsted yarns and fabrics cancelled and the subsidies on imported yarns and fabrics decreased by corresponding amounts. The subsidy on imported raw cotton was reduced in March, 1946, though the expected savings were offset by sharp increases in the cost of cotton. Finally, in January, 1947, all remaining wool subsidies were discontinued and in the following month the raw cotton price, above which subsidy would be paid, was again raised by a substantial amount. The higher cost resulting from these subsidy changes had to be offset by price increases which extended down to the consumer level, though the adjustments on clothing and manufactured goods were delayed somewhat to allow for disposal of subsidized inventories.

The removal of subsidies on petroleum was completed in January, 1947, with the discontinuation of payments on crude oil imported into the Prairie Provinces, concurrently with the release from price control of all petroleum products except gasoline and tractor distillate.* Crude oil imported into other parts of Canada had not been eligible for subsidy since September, 1945.

A considerable number of food items in addition to fluid milk were affected by subsidy changes. Among the more important of these were soap and shortening for which basic-period ceilings had been maintained by the payment of subsidies on the basic materials. In February, 1947, the subsidy payments on the domestic constituents of these products were practically eliminated while those on imported materials were reduced. This entailed price increases on soap, shortening, salad and cooking oils. In the case of canned fruits and vegetables, subsidies paid to growers of crops for canning and those paid to producers were discontinued and a similar dual subsidy arrangement for jams and jellies was terminated. The subsidy on imported Barbados molasses was reduced in March, 1946, and completely eliminated a year later. Certain corn products, dried beans, canned salmon, coffee and dried fruits were also affected by subsidy reduction or removal in 1946 or by reduction in trading losses in cases where the goods were bulk purchased.

* Ceiling prices were suspended on these items, Apr. 1, 1947.