

major subsidies were still in effect. During 1947 the removal of subsidies was accelerated to keep pace with decontrol and at the end of the year the only remaining items eligible for subsidy were oils and fats. In addition, there were in effect certain subsidies on steel paid by the Department of Reconstruction and Supply and the feed-grain freight assistance policy of the Department of Agriculture.

In January, 1947, the last of the petroleum subsidies was cancelled with the withdrawal of that on crude oil imported into the Prairie Provinces. All remaining subsidies on wool and woollens were withdrawn in January and rayon subsidies were eliminated in February. Subsidies on coal were terminated in April and at the end of that month payments on butterfat for creamery butter and on milk for cheddar cheese were discontinued. Hides and leather subsidies and those on cottons were reduced in several steps—in February, in June and finally eliminated in September. Several other important subsidies were removed in the decontrol step of Sept. 15, 1947. In October the subsidy payments on feed grains were withdrawn concurrently with the lifting of ceiling prices. Trading losses on commodities which were bulk-purchased such as cocoa, dried fruits, pepper, tin and antimony were also eliminated in 1947 by raising prices to the trade to approximate cost levels and all bulk-purchasing operations (excepting oils and fats) had ceased by the end of the year. The withdrawal of subsidy was normally accompanied by compensatory price increases either in the form of authorized increases in ceiling prices or through adjustments by the trade in cases where subsidy removal and decontrol coincided.

The combined effect on the cost of living of the removal of subsidies was necessarily substantial. A major subsidy withdrawn on Sept. 15 was the drawback payment on wheat for milling which since 1942 had been paid to millers on the basis of the difference between the current domestic price of wheat and the basic period price of $77\frac{3}{8}$ cents per bu. (basis, No. 1 Northern in store at Fort William). At the time of decontrol the current domestic price was $\$1.58\frac{1}{2}$ per bu. On Aug. 1, 1948, the United Kingdom contract price for wheat advanced to $\$2.05$ per bu. In order to give the producer this price on domestically produced wheat and at the same time avoid further increases in flour and bread prices, the Government undertook to refund to flour millers the difference between the new and the former price on all wheat moving into domestic human consumption.

The subsidies on textiles were also discontinued. Those remaining on imported wool tops, yarns and fabrics were withdrawn in January, 1947. In the following month all subsidies were terminated on domestic rayon yarns and on imported rayon fibres, yarns and fabrics. The removal of cotton subsidies was a more difficult problem and a more important one from the point of view of its effect upon the textile price structure. At the beginning of 1947, the cost of raw cotton to the primary mills was being subsidized down to a level of 15.4 cents per lb. as compared with a New York market price of about double this amount. It appeared quite certain that United States cotton prices would remain considerably above the domestic subsidy base price for some time to come and consequently the Canadian cotton price structure had to face substantial readjustment.

During 1947 several steps were taken to reduce subsidy payments and bring Canadian cotton textile prices into more realistic relationships with actual costs. On Feb. 1, the subsidy base price of raw cotton was raised 9 cents per lb. In