market, being one-tenth the American, is subject to the expansions and contractions in beef production in the United States and causes Canadian beef prices to be established on the basis of supply and demand in the American market.

Until 1969, Canada was in a net export position when both beef and live cattle are considered. However, there were years when there was a small negative balance, for example, 1967. (Table 3 Appendix C). The reasons behind this abrupt change in our trade position can be attributed to several interrelated factors, including a restriction of Canadian beef supply, an increased concentration on exports by foreign suppliers, and a change in the quantity and type of demand for beef in Canada.

In the late 1960's beef producers were faced with a peculiar situation. There was a world surplus of grain which meant Canadian producers had large stockpiles and prices were low. In 1969 the price of beef began to increase and producers seeing a chance to utilize surplus grain and benefit from a rising beef market began to increase their herds. This decision resulted in the producers holding back heifers for breeding and thus creating a shortage of supply on the Canadian market.

The late 1960's and early 1970's were also a period of rapid economic growth characterized by an increase in the rate of growth of expenditures on consumer goods and services.[1] This indicates a general rise in incomes and purchasing power. Beef consumption is strongly income elastic, that is as income rises larger per capita amounts of beef are purchased. This increasing prosperity resulted in an increasing consumption of beef in the early 1970's even though prices were also rising. (Table IV) This rapid increase can be more vividly illustrated by comparing growth in per capita beef consumption between 1955 and 1969 when the rate was 1.0 pounds per year with the average increase between 1970 and 1976 when the rate was 3.6 pounds per year. As beef production was declining at this time, there was an opportunity for imports to increase their share of the Canadian market.

Australia and New Zealand had been steadily increasing their cattle populations since 1967[2] and the increased meat production was channelled into the growing international market.[3] It was not surprising, therefore, that Canadian imports from Oceania increased sharply in 1969 and continued at high levels through the early 1970's, reaching their peak in 1976.[4]

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[1]Consumer expenditures on goods and services rose at an average annual rate of 2.28 per cent from 1963 to 1967, but from 1968 to 1972 the average annual rate of increase was higher at 3.66 per cent, Department of Finance, *Economic Review*, May 1977, Ottawa. P. 173

[2]Table V, page 16.

[3]Table VI, page 24.

[4]Table III, page 11.