

He stayed up all night and, although he did not agree, next August the embargo was lifted and the Canadian cattle market shot up \$3 overnight.

This is not the first crisis the cattlemen have been through and it probably will not be the last one. Nevertheless the present cattle situation is the most serious I have seen in my lifetime as a cattleman, and that includes all of the days of the depression and drought during the 1930's.

How did we get here from there? What has happened that has allowed present day cow prices, as well as yearling and calf prices, to drop approximately one-third to one-half while feedlot costs have doubled, all in about one year? This sudden price collapse in respect of grass cattle has a chain reaction in other industries, since about 15 per cent of all our economic activity is related to our red meat industry. Our red meat industry has a high economic generating effect, probably the highest of any of our industries in Canada. The cattle industry itself has perhaps an even higher effect, about 17 per cent of our total economic activity. That is an indication of how important is this industry.

Let me point out the most important factors that have contributed to the present crisis. First we have a short-term over-supply of cattle in North America and in other major beef producing countries. All but one of the major beef producing nations have been expanding production over the last five years. They are the United States, Russia, Brazil, Australia, Canada, France, Mexico and New Zealand. The numbers of cattle in respect of this group of nations have gone up 13.6 per cent during that five year period, from as low as a 4.7 per cent increase in France to a 32 per cent increase in Australia. The only exception is Argentina which had a decrease of 6 per cent.

During this interval the world price of beef almost doubled in less than three years. Most of us read the signs wrongly. We argued and convinced ourselves that these rapidly rising prices meant there was a global beef shortage. However we, and I mean the economists, governments, cattlemen, and even some farm organizations, were wrong. As far back as three years ago the Canadian Cattlemen's Association was warning anyone who would listen that north American and world breeding cattle numbers were increasing too quickly.

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Most of us, in the midst of our affluence, had completely overlooked and forgotten to take into account the impact of world inflation and devaluations of major world monetary systems. A contributing factor has been the shortfall in feed grain worldwide, which has caused dramatic feed cost increases. I am sure you will recall, Mr. Speaker, the serious droughts of several years ago in the U.S.S.R., China and Australia, as well as the South American rough fish crop failure which caused upheavals in respect of one of the world's major sources of protein.

Then we had the soybean shortfall in the United States and Ontario due to too much moisture. Next there was the aftermath of the United States control program, and especially the extra 60 days during which these controls were left exclusively on the cattle industry. This was the cause of fantastic holdbacks and price disruptions, mostly in the United States but also in Canada. In fact, the United

Slaughter of Calves

States is still not current in respect of its supply-demand situation.

The third factor is that, more recently, two major meat consuming areas of the world have been shut off completely from the cattle and beef exporting countries. I refer to the European Economic Community and Japan. This contributed immensely to the short-term over supply. The fourth item was the beef subsidy program of the Minister of Agriculture (Mr. Whelan) which was a disaster for our cattle industry. This was the seven cents per pound subsidy on all A, B and C grades of fat cattle. The program resulted in a market drop of about \$10 per hundredweight in ten days, of which only \$2 to \$3 was due to a drop on the Omaha, or United States, market.

This hurry-up program, I suggest, cost our Canadian cattle industry an inventory loss of about \$1 billion in ten days. Recent history has proven that the cattlemen were right in advocating reciprocal quotas and tariffs with the United States which recognized the ten-to-one ratio in respect of our respective cattle and human populations. The minister's global quota policy is a good one, and I commend him for it. It is working well. However, if it was the right policy on August 2, why was it not right last spring when he brought in his subsidy program?

Let us now consider the current situation. Canadian cattle producers are split into two well defined groups concerning what should or should not be done by governments in respect of this crisis. The well established cattlemen who have been in business for ten years or more, who are reasonably debt-free—and this includes both the large and the small producer—say, "Leave us alone. We've turned the corner, hopefully, and we'll get by. We want no more government interference, because there has been too much already".

The newer producers, the ones who have been in business for perhaps two or three years, are in a desperate situation. They have paid too much for their breeding herds—as much as \$400 to \$600 per cow. They were probably from an exotic breed. They had easy credit, but paid highly inflated values for their land. They budgeted to repay this line of credit on the basis of \$250 to \$300 per calf. The problem is easy to recognize; indeed, it is very real. Some of these producers have already folded up and moved into industry.

This group is demanding government grants or interest-free loans, or at least some type of positive action, now. Because of a considerable sense of responsibility, five provincial governments already have taken some action in their considerable encouragement to farmers to diversify and switch to cattle. The federal government has as much, or more, responsibility here, but so far has done very little. I suggest emphatically that the minister's new support price policy, with the price of \$45.42 that will trigger deficiency payments, is not providing any short-term help. There are obvious reasons for this. It is payable only in respect of feed cattle grades A, B and C, but is not paid in respect of feeders, yearlings, calves or cows. No benefit will be available until August 11, 1975, when the first year will end. This is in operation for one year only. It is not to operate by quarters. This is regrettable, since this would greatly improve the policy. If this support policy were extended for another year it could help, but unless the