

danger is that a sharp reduction in the basic production capacity will provide short-term price reductions to the consumer but in the long term will create a shortage of livestock and thus even higher prices in the future.

There is a lag of two to three years between the time the producer decides to breed the cow until the offspring is ready for market. If the producer markets the cow and has to start from a new heifer calf, it will be three to four years before the heifer can produce a marketable offspring.

#### Effects of oil shortage

At the same time, pressure has been applied on the beef industry by the dramatic increases in the price of oil. Not only has it increased costs to the livestock producers and meat processors, but it has put a strain on the financial resources of the energy-importing nations. Japan, for example, has set quotas on beef imports which effectively exclude traditional suppliers including Canada. The stated reason was to preserve financial reserves to meet higher fuel costs.

In recent years, a substantial export market had been developed both to the United States and to Europe, where veal was in demand. But rising production costs coupled with an increase in calf population in Europe and the United States virtually eliminated that market. In the first eight months of 1973, Canada exported 174,000 calves, more than 49,000 of them dairy calves. In the first eight months of 1974, that fell to 83,000 of which less than 17,000 were dairy calves.

The dairy calf market was further hit by the abundance of beef calves available to stock the feedlots.

#### Federal Government assistance

Federal Government action in the beef industry, apart from regulatory, grading and inspection functions, is aimed at supporting producer incomes and ensuring future beef supplies to consumers by avoiding excess liquidation of breeding stock.

In August, the Canada Department of Agriculture instituted a one-year beef stabilization program which establishes a guaranteed price support of \$45.42 a hundredweight basis A1 and A2 steers and heifers at Toronto, Winnipeg and Calgary. If at the end of the 12-month period ending August 11,

#### Beef industry assistance

Agriculture Minister Eugene Whelan announced in December a four-point program to support the Canadian beef industry, the main feature of which will be stabilization of the slaughter cow market.

In addition, the program will include the purchase of canned beef for international food aid, promotion of ground beef-type meat at the retail level and an assurance to the cattle producers that the stabilization program for Grade A, B and C steers and heifers begun last August, will be continued after August 1975 with the support price indexed to production costs at that time.

The package-support program, which will take effect immediately, is designed to provide some price protection to farmers while allowing them to cull their herds in an orderly manner. At the same time, this program will permit the price to adjust as warranted by market conditions and should, therefore, benefit the consumer and increase beef consumption.

Mr. Whelan said that he understood the problems faced by Canadian beef producers and he hoped that this package of programs, along with support plans of the provinces, would give the livestock industry the confidence to develop and to continue to provide top quality meat for consumers.

1975, the weighted average price to producers for Grade A1 and A2 steers and heifers at these markets is below \$45.42 a hundredweight, a payment from the Federal Government will be made. The payment will equal the difference between the national weighted average price and the support level of \$45.42 a hundredweight. If a payment is made, it will apply to all eligible cattle grading A, B and C and will be at the same rate to all producers regardless of what price they received for their cattle at the time of sale. The program guarantees producers that they will not be forced out of business in the event of a drastic price drop. To protect and complement the interim stabilization plan, import quotas on live cattle and dressed beef were put in place. The quotas are based on average imports over the last five years, thereby permitting traditional

trade to continue but preventing surplus beef from other countries from flooding the Canadian market and cancelling out the stability that would otherwise be part of such a support program.

#### Pricing

A wide variety of animal types make up the slaughter cattle market and it should be explained what happens to them before an assessment of pricing can be made.

Ten-year-old dairy cows don't produce prime steaks. The fresh steaks and roasts that the consumer buys for Sunday dinner come from Grade A steers and heifers. These are grain-fed animals weighing about 1,000 pounds for which the producer currently receives 50 to 55 cents a pound on the hoof at the stockyards.

By the time the packing-house has slaughtered the steer and dressed the carcass for delivery to the supermarket, it has lost about half the weight and the price a pound has thus more than doubled, including the labour costs and the profit margin.

The supermarket butcher shop cuts the carcass into steaks, roasts, stewing beef and hamburger, losing a lot of the weight in excess fat and bone in the process.

The cattle which sell at the stockyards as "cow beef" are the cows and bulls culled from the dairy and beef herds. The better ones go as "discount beef" to the large restaurant chains. The others go directly to the processing plants to be used for hamburger, sausage and a variety of spiced meats and for pet food. Prices for these animals have been as low as 10 cents a pound liveweight.

#### Livestock production

Canada now has a cattle population of nearly 15 million animals. It includes about 5.2 million cows and yearling heifers in the beef breeding herd and 2.6 million in the dairy breeding herd and about 2.6 million steers and heifers which make up the major part of the quality beef. The remainder are calves being raised for veal and heifer calves being raised to maintain or expand herds.

The herds produce about 1.7 million dairy calves and 3.4 million beef calves every year. The superior females are retained to maintain and