Unless a margin is established and maintained through a specific policy at an equitable level any short term advantages to Canada of the North American market will be outweighed by the gradual deterioration of the profitability of Canadian beef production. Such a policy may not provide immediate increases in the price of beef but it will provide a measure of price support to Canadian producers by more closely controlling the access of American cattle to our markets. To more clearly define this relationship and the need for a margin it is necessary to carefully examine production costs in both countries.

Costs of Production: The Need for a Margin

The differences in production costs between Canada and the United States concerned members of the Committee; for example, Senator Hays in response to a question at the Wetaskiwin public meeting stated:

> Yes, I would say we don't comptete, for the simple reason that the further South you go the warmer the climate, there is grass almost all year and you have over 300 frost free days compared to our average of about 100. . . I don't mind competing on an equal basis but its a loosing battle to compete against geography.

In light of these considerations the Committee, wishing to examine the real cost of production differences between Canada and the United States, inquired into the availability of detailed comparative cost studies, and was amazed to discover that none existed. In the absence of such work, a situation which should be corrected, the Committee sought out information and made its own comparisons which, it is confident, portray accurately and vividly the differences.

The Committee collected cash and total cost data for both cow-calf and feeder enterprises from government and university studies, private market information services and individual producers in Canada and the United States. After adjustments to achieve a common basis, comparisons were made for national, regional and provincial/state operations to clearly identify the cost of production differences. The results were definite, Canadian beef producers have higher costs. The cost difference between the cow-calf operations, primarily as a result of the cost of wintering cows on feed in Canada as opposed to grazing on crop residues in the United States, was up to $10.64/cwt of calf produced. On slaughter cattle there was a range of cost difference from $3.27/cwt of gain to $6.92/cwt of gain depending on whether cash costs or total costs were compared. This analysis in no way indicates that Canadian producers are inefficient for the cost differences are the result of higher input costs. In fact, without the efficiency and ingenuity of Canadian producers, the cost differences would likely be greater.