

## **Chapter II: Recognizing Realities**

When developing its proposed trade policy for the Canadian beef industry the Committee considered very closely the international situation: the long-term trends in world production and trade; the trade policies of the importing and exporting countries; and the competitiveness of the industries in the major producing countries, but particularly Canada and the United States. The events of the past decade must be understood if the problems of the Canadian beef industry are to be appreciated. Such an understanding is also necessary if Canadians are to recognize what aspects of our trade policies must be changed to revive and to maintain a viable beef industry.

### **The International Beef Cycle**

One of the most important factors in the continuing crisis in the beef industry has been the development in the late 1960's and early 1970's of a world beef cycle (Table V). Under certain conditions, for example, if the major beef producing regions of the world had separate or countervailing cycles and if beef traded freely between countries, then the beef cycle, in its various manifestations would be a stabilizing factor in the international market. However, this has not been the case in the past decade. As the beef cycles of the major importing and exporting countries have come into harmony the potential for great instability as a result of minor changes in the supply and demand situations in one or more of the major producing regions has increased dramatically. The fact that the international economic system suffered an incredible shock with the energy crisis of 1973/4 and went into a recession was no small change as far as the international beef market was concerned. It caused the premature collapse of the world beef cycle and resulted in falling prices, trade restrictions and considerable instability.

The beef cycle is basically a sustained market imbalance caused by the biological cycle of cattle and the decisions of beef producers. The cattleman's decision to expand production to meet an expected increase in demand necessarily occasions a shortfall in immediate market supplies as