explained by the cost of moving cattle or beef north to our markets. The factors involved are:

tariffs — 1.5 cents/pound
transportation — approximately 1.5 cents/pound
exchange — fluctuating from a Canadian to an American premium

Whenever the Canadian price exceeds the American price by an amount equal to these factors, cattle will move into the Canadian market. Cattle will move into the United States when the conditions are reversed.

In a recent study of the North American beef market it was concluded that a north-south flow of cattle and beef would be the most efficient marketing system.[1] The author conceded, however, that when present production costs are considered under this system, Canada would in the long term loose a significant part of her beef production to the United States.

Over the past five years, Canadian prices have averaged $3.34/cwt higher than those in the United States.[2] This differential is based on Toronto prices, which are $2.11/cwt higher than Western Canadian prices.[3] Producers in Western Canada with even higher production costs than in the East at present have an even smaller differential or margin over American prices of $1.23[4][5] This amounts to both Western and to a lesser extent Eastern Canadian producers being forced to accept a lower rate of return compared to American producers, because the Canadian beef price is set by the United States.

Since American producers operate at generally lower costs of production, the timing of economic changes in the cycle are different in the United States than in Canada. For example, in a rising price period American producers will begin to show a profit earlier than Canadian producers, just as Canadian producers will show a loss much earlier in a period of declining prices. This puts us out of step with the American market. Being out of step we also leave ourselves vulnerable to American imports which can soften our high prices and contribute to our excess supplies in periods of low prices. In order to remain a viable participant in the North American market, Canada must reassess its trade relationship with the United States and steer a course which allows us to participate yet recognizes the inherent inequality of the partnership.

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[1]Anderson, R. S. *The North American Market for Beef, Analysis of Future Market Dimensions and Competitive Relationships*, Ph.D. Thesis, Ohio State, Columbus, Ohio 1976.

[2]Appendix C, Table VI, page 97.

[3]Agriculture Canada, *Livestock Market Review*, Production and Marketing Branch, 10 year average Calgary vs. Toronto. Ottawa, 1976, P. 21 and 22.

[4]Toronto — U.S. Differential ($3.34) minus Calgary-Toronto Differential ($2.11) equals Calgary — U.S. Differential ($1.23).

[5]Western producers have purchased, over the past decade, feeder cattle at $1.17/cwt cheaper than Eastern producers but slaughter cattle prices in the East have averaged $2.11/cwt higher so that Eastern producers have been ahead on both their spread and their cost per pound of gain.